

SOUTHERN BUSINESS:

The Decades Ahead



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Southern Business: The Decades Ahead

Edited by
David A. Shannon
University of Virginia

With a foreword by
Rand V. Araskog

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Foreword

Rand V. Araskog

*Chairman of the Board and President
International Telephone and Telegraph Corporation*

The accelerated business and industrial growth of the South in recent decades has established a model and a challenge for the rest of the United States. During the 1970s, the growth process reached a point where a multiplier effect took over. As industrialization boosted incomes and created new markets, a steady stream of service companies moved into the Sun Belt to share in the business growth. This pattern triggered still another cycle which should sustain quality growth throughout most of this decade.

Hundreds of ITT plants and offices scattered throughout the eleven states of the Old Confederacy played a part in this dazzling transformation of a region that once was remote from the rest of the nation. And we at ITT have an enormous stake in a continued high rate of economic expansion there.

In their discussions of the historical matrix that shaped the South, President Sheldon Hackney of Tulane University and Professor John Sheldon Reed, Jr., of the University of North Carolina trace how the southern experience has now increasingly become the national experience. As this assimilation continues with thousands of skilled workers joining the southward migration each year, the country as a whole is becoming more southernized. The influx of a trained work force is one of the reasons that Richard A.

Beaumont, president of Organization Resources Counselors, gives in Lecture 4 why the South will not remain a low-wage, nonunion area much longer.

The full story of southern progress, though, does not stop with burgeoning plants and solid demographic gains. Giant strides have been taken to eliminate segregation. In Lecture 6 President Samuel DuBois Cook of Dillard University discusses how practical application of Affirmative Action principles in the hiring process has tapped a vast reservoir of human resources for the marketplace.

Provost David A. Shannon, a leading educator and distinguished historian, is to be commended for moderating this University of Virginia series. Under his able guidance, the six Charlottesville lectures have brought the nation's fastest-growing region into sharper focus. The reader should find this volume a most useful reference source as the decade unfolds.

Introduction

David A. Shannon

David A. Shannon has been Vice President and Provost of the University of Virginia since 1971. He was Dean of the Faculty of Arts and Sciences, 1969–71. A historian who specializes in the United States in this century, he is also Commonwealth Professor of History. He received the Ph.D. from the University of Wisconsin and began his teaching career in 1948. In 1976 he was Thomas Jefferson Visiting Fellow at Downing College, Cambridge University.

As the title of this book indicates, the focus of this ITT Key Issues Lecture Series is business in the South. Yet the reader will quickly realize that these lectures or papers, as well as the selected transcripts of the discussion periods after the lectures, are far broader than that. This book relates to the United States as a whole. Indeed, frequently it relates to the world beyond America. Neither the South nor any of the nation's other regions can be contemplated fruitfully without consideration at least of its national context. We are "one nation"; we are "indivisible."

Over four decades ago, when the South was still "underdeveloped" (to use a term not applied to the stages of economic growth until later), Franklin D. Roosevelt recognized that the South's situation was a serious national problem. He convened a

Conference on Economic Conditions in the South, and in his message to that conference on 4 July 1938 he explicitly pointed up the interrelatedness of the region's and the nation's economies. His concern for the economic problems of the South was but part of his concern for the national economy:

It is my conviction that the South presents right now the nation's No. 1 economic problem—the nation's problem, not merely the South's. For we have an economic unbalance in the nation as a whole, due to this condition of the South. It is an unbalance that can and must be righted, for the sake of the South and of the nation.

The South and the nation still have economic problems, but today they are very different from those the conference studied in 1938. Compared to the economic conditions of the Great Depression, the South and the nation generally have “happy problems,” although ones that are no less real. In recent decades the growth of the southern economy has been spectacular. After approximately a century of no growth or slow growth, a century of poverty, the South has largely caught up with the pace of the national economy. Indeed, it appears now that the South is no longer the region with the most stubborn and difficult economic problems.

This book, these lectures, are about the South's contemporary economy, its prospects, and some of the effects the changes in the southern economy have had upon the region. Because economic conditions can change rapidly, it is appropriate to inform the reader that the lectures by Sheldon Hackney, John Shelton Reed, Samuel DuBois Cook, and Thomas I. Storrs were given in September and October 1979 and those by Richard A. Beaumont, E. Blaine Liner, and Luther H. Hodges, Jr., in March and April 1980.

Defining with precision what is meant by the South is a complicated intellectual task. There are scholars of regionalism who spend years trying to draw boundaries between the nation's various regions, employing such concepts as speech accent or dialect fault lines. As interesting as such studies might be, for the purposes of this lecture series such an exercise was not worthwhile.

We do not consider the South to include all of what has come to be called the Sun Belt. The Southwest and southern California are beyond our ken. Our loose definition includes the former Confederate states (with the exception of western Texas), and the border states; that is to say, the area that is south of the Mason-Dixon line and the Ohio River and west to the Mississippi, plus Arkansas and part of Texas.

This program of the 1979–80 academic year being the first ITT Key Issues Lecture Series at the University of Virginia, the editor learned very quickly that he needed a lot of help. He is deeply grateful to those who assisted with hours and energy. Special recognition of the help given by C. Stewart Sheppard, Dean of the Colgate Darden Graduate School of Business Administration, and William G. Shenkir, Dean of the McIntire School of Commerce, is in order. These two colleagues worked very closely with the editor in designing the series, identifying the lecturers, and persuading them to accept the invitation; without their generous participation this ITT Key Issues Lecture Series would have been impossible to produce. Others whose assistance was indispensable were Roderic Collins, Paul Cook, Edward G. Dinwiddie, Dorothy Furin, Paul M. Gaston, William J. Joyce, Eleanor F. Rosser, Elaine Satterthwaite, and William D. Sublette.

ONE

Southern Business: The Past as Prologue

Sheldon Hackney

Sheldon Hackney has been President of Tulane University since 1975. Born in Birmingham, Alabama, he received his bachelor's degree at Vanderbilt University in 1955. After serving five years in the Navy, he began graduate work in history at Yale University, where he received the M.A. in 1963 and the Ph.D. in 1966. He joined the Department of History at Princeton University in 1965, where he advanced quickly up the academic ranks, becoming a full professor in 1972. In his last three years at Princeton he served as the University's Provost. He is the author of Populism to Progressivism in Alabama (1969), a book which won two important awards: the Beveridge Prize of the American Historical Association and the Charles S. Sydnor Award of the Southern Historical Association. President Hackney was also the editor of Populism: The Critical Issues (1971) and coauthor of Understanding the American Experience (1973).

My topic is "Southern Business: The Past as Prologue." This title has a reassuring ring about it; but I must say that if the past turns

out to be *only* a prologue to the future of southern business, I will be surprised. I will also be very pleased.

Let me explain what I mean. There is no history like southern history for giving one a sense of *déjà vu*. The very phrase The New South, for example, has been with us for well over 100 years now and has, even more remarkably, described essentially the same unattained ideal throughout that entire time: economic plenty and racial harmony. The explanation for the *déjà vu* experience associated with southern history is the converse of the usual one, however: we seem to repeat the past not because we cannot remember it, but because we cannot forget it. I call myself a “southern historian,” but I have often thought the phrase redundant—almost every Southerner knows the history of his region and state (or thinks he does) to an extent simply not found in other parts of the country. But—again, the southern twist—we don’t look on it as only *history*. To paraphrase William Faulkner, our past is not forgotten; it isn’t even past.

The South’s relationship to its past is one of the things that has always made it uniquely fascinating to the rest of the country and, of course, to me. The South may be poorer, less developed, less educated than any other section of the country; but when you come right down to it, it is also more interesting. Can anyone, for example, imagine W. J. Cash writing a 440-page, prize-winning study of *The Mind of the Midwest*?

It is within this context, which might half seriously be styled “the past as present,” that I want to talk for a few minutes about the past of southern business. Through a generosity of spirit, and a shortness of time, I will begin not at the beginning, as historians like to do, but in the middle of the story.

Disasters have certain predictable effects on social groups. If we consider the Civil War, the freeing of the slaves, and Reconstruction in that light, we can see that this period produced extreme pressures toward social disorganization, and that these pressures were felt most acutely by those southern whites who identified themselves with the antebellum established order and then with the Confederacy. Perceiving black participation as a threat to the social order in which they were enmeshed, these loyal white Southerners reacted by generating a heightened sense of group

solidarity and an increased identity with the threatened order. In addition, the sharp psychological disjunction in the history of the South that resulted from secession, the Civil War, Reconstruction, and then a violent Redemption caused a feeling that there had been a clean break with the past. In this sense, the Civil War era, however brief, was a definite punctuation. On the one hand, this yielded an illusion that the region was beginning a completely fresh start with a clean slate; it also led to a natural effort to regain contact with the group's past.

The fresh start was most notable, as Paul Gaston tells us beautifully in *The New South Creed*, in the ideology of the first incarnation of the "New South" that captured the region in the 1880s with its emphasis upon industrialization as the way to secular salvation, and with its optimistic and firmly believed dogma that the South was destined to be the most prosperous region on earth if, indeed, it was not so already. The "New South," by the way, was already an old concept when Henry Grady immortalized the phrase in 1886; Benjamin Hill of Georgia first referred to the "New South" in an 1866 speech at Tammany Hall.

The bearers of these glad "New South" tidings were in part wise men out of the North. One of the curious features of the mythology that has grown up to surround the Reconstruction era is the tacit distinction made among three varieties of carpetbaggers. The political carpetbaggers, the white Republicans of northern origin who tried to organize a new political force in the South, bear the greatest opprobrium. They have been consistently castigated as unprincipled adventurers by writers of whatever regional origin and sympathy.

The second variety, the cultural carpetbaggers, consisted of schoolteachers, missionaries of northern churches, and agents of the Freedman's Bureau interested in uplifting blacks—and incidentally whites—to new levels of northern civilization through education, religion, and other social services. Initially, it seems the teachers and preachers were accepted in the South by native whites, and almost half of the children in the freedman's schools were white. Then, rapidly, southern whites began to look upon the cultural carpetbaggers as the spiritual followers of Grant and Sherman. It is difficult to tell whether it was the racial integration

or the mixture of politics and education in the schools that caused the shift. Teachers were harassed and ostracized and intimidated, schoolhouses were burned down, and in 1870 the mass exodus of the do-gooders began and their heroic effort to civilize the South was over.

In addition to the political and the cultural carpetbaggers, who were rejected by the South, there were the economic carpetbaggers. These men were not only *not* rejected, they became regional heroes. Boston capitalist Edward Atkinson was one of these economic carpetbaggers who won a following in the South despite the fact that he had been an abolitionist and despite the fact that he tried to discourage the southern textile movement. Another was William D. (Pig-Iron) Kelley of Philadelphia, whose relations with the South were economic as well as intellectual.

Relations other than economic and intellectual were also well developed by the 1890s. Both Cornelius Vanderbilt and Collis P. Huntington took southern brides in their second marriages; and the interpenetration of the upper social castes of the two sections was symbolized by the marriage in 1895 of the all-American "Gibson Girl," Irene Langhorne of Virginia, to Charles Dana Gibson. Henry M. Flagler, the railroad mogul who first blazed the trail from New York to Miami, at the age of 71 married a young North Carolina belle and built her a \$2 million palace at Palm Beach. In such a marriage, it is very difficult to tell who is being exploited. Similarly, when the victim is as eager to be ravished as the South was after the Civil War, the charge of a criminal assault against the North is unconvincing. Henry Fielding's statement about one of his fictional heroes is an apt description of the southern attitude toward economic exploitation by the North: "He in a few minutes ravished this fair creature, or at least would have ravished her if she had not, by timely compliance, prevented him."

The men who were frantically giving the hand of the South to its Yankee suitors were an interesting lot. The most famous of these preachers of progress, Henry W. Grady, had serious reservations about the dowry which was being asked, however.

Grady, according to one of his contemporaries, did not "tamely promote enterprise and encourage industry; he vehemently fomented enterprise and provoked industry until they stalked

through the land like armed conquerors.” Having achieved a genuine national reputation when he dramatically rushed to Charleston to report in person the earthquake and tidal wave disaster that struck in 1886, Grady, editor of the *Atlanta Constitution*, was invited to address the New England Society of New York on 21 December 1886. Grady made the most of the occasion by saying the right words at the right time, and consequently he has been remembered as the high priest who solemnized the peaceful reunion of the North and the South.

Grady’s vision of the “New South” was more intelligent than that of many of his contemporaries who welcomed any infusion of northern wealth. In an 1887 speech, “The South and Her Problems,” he sounded a warning which has been often ignored and from which the South can still profit. While celebrating the richness of the South’s natural resources, Grady stressed the region’s need to increase its manufacturing capacities so that it would not have to watch its resources be spirited away to factories in other parts of the country. “No commonwealth ever came to greatness by producing raw material,” he warned in a statement that had more force before the OPEC embargo than after. Grady made the same point on numerous occasions in a more southern fashion: by telling a story. A poor old one-gallus Georgia cracker died, it seems, and received a typical southern funeral. Though he was buried in the heart of a pine forest, his pine coffin was imported from Cincinnati; though he lived hard by an iron ore mine, the nails in his coffin and the metal in the shovel came from Pittsburgh; though he had grown cotton all his life, he was buried in a New York coat, Boston shoes, Chicago trousers, and a Cincinnati shirt. In fact, Grady would conclude, the South didn’t provide anything for that funeral but the corpse and the hole in the ground.

Grady deftly employed the old device of comparing the Cavalier and the Puritan, thus making the Civil War the mysterious product of a romantic determinism rather than of the wills of men. He paid tribute to Lincoln, whom he made to embody the virtues of *both* Cavalier and Puritan, and who was safely dead and could be cited by the South as the authority for a policy of leniency. After a touching, and largely fictitious, rendering of the beauties of the

Old South, Grady pulled heartstrings with gruesome details concerning "the late unpleasantness between the states," and showed that he was a regular fellow who could take a joke by referring to General Sherman as a "kind of careless man about fire." When he finished, half the audience was weeping and half was standing and shouting, and all were convinced that if only fellow countrymen knew each other, they would love each other. (Does that strike a familiar chord, by the way, in the context of the 1976 presidential campaign?)

When Grady arrived on the train back in Atlanta, he was met with a big brass band, and he spent the remaining three years of his life furthering his essential prophecy that industrialization and a benevolent racial segregation would form the most lasting and beneficent foundation for a New South in a reconciled nation. Two years after his death the people of Atlanta erected a monument to him bearing the inscription, "When he died he was literally loving a nation into peace."

What Grady preached was not entirely new, of course. Before the war a handful of Southerners, such as James D. B. deBow and George Fitzhugh, had urged industrialization. In 1860 southern industry employed 131,979 wage earners, occupied 15 percent of the manufacturing establishments of the country, and produced some 8 percent of the total value of manufactured goods in the nation. What was new about the prophets of industrialization after the war was that they were preaching laissez-faire capitalism without any of the traditional restraints of governmental regulation. In addition, they were no longer just calling on Southerners to become industrial entrepreneurs; they were inviting Yankee capitalists to send their money south to invest in the region and they were calling for the South to create those conditions which would attract the interest of such outsiders. In point of fact, it was not until after the panic of 1893 that northern capital in great quantity entered the South. Before then, modernization of the South had been largely a southern affair.

The only study we have of the social origins of the new businessmen of the South indicates that only 13 percent of a sample of 300 were living outside the South in 1860 and that 80

percent of them derived from nonslaveholding southern families. They were, in short, not only Southerners but new men.

I don't want to get ahead of my story, so let me just sketch very briefly the outlines of southern industrialization. In 1880, 8 percent of the nation's wage earners worked in the South; by 1929 this figure had risen to 15 percent. This indicates some gain; but it also reveals the truth that the South, in 1930, was still largely farming country. Greatest progress was made in coal mining, pig-iron production, lumber, oil, tobacco manufactures, and cotton mills. These all share the characteristic of being low-wage, low-value-added-by-manufacturing industries. They involve the crude first-processing of natural resources with largely unskilled labor. Therefore, they prospered where natural resources were abundant and labor was cheap. This is an accurate description of the southern economy between Reconstruction and World War II.

The important thing to realize for present purposes is that industrialization became a veritable crusade in the 1880s. It was as if the one sure lesson of the war was that industrial society offered a superior way of life. The South, like many other defeated nations, sought consciously to imitate her conqueror. In the Carolinas camp meetings spread the gospel of industry along with the religion of Christ. One revivalist in Salisbury, North Carolina, told his audience that "next to the grace of God, what Salisbury needs is a cotton mill." People were urged to "take stock . . . for the town's sake, for the poor people's sake, for the South's sake, literally for God's sake." The movement attained the proportions of a mania as all classes of people joined the crusade to raise capital for a cotton mill. If the town couldn't get a big mill, it would settle for a smaller one. The mills went up without much investigation as to whether they were in a good location or whether they could succeed. They were managed by all manner of men: doctors, lawyers, farmers, preachers, and even teachers.

The thing that gets curiouser and curiouser, as Alice would say, is that at the same time the "New South myth" of industrialization was being created in a rush of great popular fervor in the 1880s—at the same time the South was excitedly trying to become more like the North—the myth of the Old South was being created, packaged, and marketed in the North and the South.

The southern mind was clearly divided at this time, as C. Vann Woodward has noted in *The Burden of Southern History*. Perhaps the best single piece of evidence of the nature of this division is Joel Chandler Harris, the creator of Uncle Remus, who was hailed in the North as the greatest living authority on Negro life and personality. As absurd as this seems today, Harris in fact was the only nineteenth-century author who created an Afro-American character who broke through the stereotypes as Uncle Remus did. What does it matter if the stories that Harris transcribed onto paper from the living oral tradition of black storytellers turn out to be on close examination vast and subtle attacks on, and ridicule of, the white man? In addition to this, Harris played an important part in forming the new, or rather the newly acceptable, image of the romantic Old South.

While he was engaged in this task, he wrote editorials for Henry Grady on the *Atlanta Constitution* at the time when Grady and the *Constitution* were doing their utmost to change the South even more fundamentally than the war and Reconstruction had done. The lesson is plain for broken field runners and champions of change: you have to be able to look in one direction while going the other.

The nineteenth century ended on schedule, but the New South movement endured. As the South continued to lag behind the rest of the country in economic development, the New South School focused even more narrowly on industrialization as a panacea for all the region's ills, and with some reason.

Even if life was hard, the southern mill workers were certainly better off than they had been sharecropping, as one can learn from a reading of the classic description of south Alabama tenant farmers in the late 1930s by James Agee and Walker Evans, *Let Us Now Praise Famous Men*. Or, as one woman told an investigator in the 1920s who asked if she liked the work in the cotton mill, "Law, yes, it's grand. Better'n' hoein' cotton." But a good indication of the attitude of the workers in the mills toward their work was that very few wanted their children to stay in it. Nor did they want them to go back to the farm. Their ambition then encompassed mechanical trades, teaching, preaching, or some "clean" work. Of the nine mill workers whose conversations are recorded in the WPA Federal Writer's Project book from the 1930s entitled *These Are Our Lives*,

only three expressed a desire to retire to a farm when their days in the mill were over. They did not view farming as an idyllic existence, and for good reason. One typical life history can be simply told: "I was born on a farm down in Cumberland County. Pa lost it, though, before I was full grown, and every year after that we moved from one man's land to another, never satisfied nowhere and hardly havin' enough to barely live on. I got tired of that and when I got to be my own man I come to the mill."

In this context, it does not seem quite so foolish for a New South spokesman to say, as one did in 1930, just two years after a bloody labor war that was centered in the mill town of Gastonia, North Carolina, that "the introduction to the mill village was not a burial but a resurrection. It has meant the moral, intellectual, and economic betterment of these people." But it seems strange that there was no reservation, no qualification, no doubt, no sense of tragedy in a people who pride themselves on their appreciation of the tragic nature of human existence.

Even though the industrializers consciously sought to change the basic nature of southern society, they saw themselves as the legitimate heirs of the cavalier tradition. Orthodox regional patriotism marked their frequent references to the South's history, but these were merely punctuation marks sprinkled among their fervent pleas for the South to change its ways of doing things. In their view there was a direct connection between the antebellum planter and the postbellum redeemer and the twentieth-century industrialist. This picture of the son of a great planter becoming first a captain of cavalry and then a captain of industry (both of them hero's roles) was a distortion of history, but one of the more interesting academic arguments these days concerns whether the antebellum planter is best understood as a capitalist in an agricultural setting or as a country squire guided by noneconomic values and goals.

There was a group of men in the South in the 1920s and after who could be seen visibly to wince at this perversion of the myth of the noneconomic cavalier. Twelve of this group, who called themselves the Agrarians, who were centered at Vanderbilt University, and who included Robert Penn Warren, Andrew Lytle, John Crowe Ransom, and Allen Tate, issued their manifesto, *I'll*

Take My Stand, in 1930 and bombarded the business-oriented New South spokesmen and the progressives during the 1930s with numerous articles and books. Though they differed considerably among themselves, as the introductions to *I'll Take My Stand* stated, they shared a common antipathy. "All the articles," the introduction read, "bear in the same sense upon the book's title-subject: all tend to support a Southern way of life against what may be called the American or prevailing way; and all as much as agree that the best terms in which to represent the distinction are contained in the phrase, Agrarian versus Industrial."

The problem with industrialization was that machines divorced man from the land and broke the normal relationship between man and nature. There is but one solution. The Agrarians, all intellectuals, not one a farmer, called for a society in which agricultural interests would predominate. They were not simply right-wing populists, though they did sympathize with the populists as well as with the antebellum planters; they were rather romantic conservatives with a strong sense of community and continuity. They thought that "tradition is not simply a fact, but a fact that must be constantly defended," as Allen Tate wrote. The great threat was that Southerners were being educated to believe in alien doctrines. Modern education, in fact, was an uprooting process in the eyes of the Agrarians, which failed to give young Southerners "the sense of belonging somewhere and being somebody."

There was another group active at the same time which shared the Agrarians' concern about the dehumanizing side effects of industrialization but which proposed a less romantic solution. Centered at the University of North Carolina around the commanding figures of Howard Odum and Rupert Vance, the regional planners and progressives wanted to bring about industrialization through rational planning for resource use and human needs on a regional basis through the intervention of government, if necessary. The progressives were faced with a real dilemma, for while they respected southern traditions they advocated solutions that would entail the destruction of the social basis for the traditions. This was a curious position, but it pinpoints the central continuing dilemma of the advocates of a New South.

Jonathan Daniels, editor of the *Raleigh News and Observer*, summarized this ambivalence well in his book, *A Southerner Discovers the South*: “Like a sign of the Devil,” he wrote in 1938, “I find in me and I expect to find in other Southerners a preference for a cruel perhaps but good natured Southern carelessness, and an increased faith in the ultimate malignancy of Yankee good intentions. Too many of us will prefer a sloppy South to a South planned to perfection by outlanders. We know out of our past that the worst carpetbaggers were the ones who came down here to improve us. The others merely stole and went their way, but the improvers have been nagging us forever.”

The important generalization that ought to be made from all of this is that the South was launched on the road to economic modernization not by the self-conscious designs of regional prophets (spelled in either way, i.e., profits) but by World War II.

War, of course, has had a very interesting feature throughout American history. War has tended to accelerate the forces of social change, generally to the benefit of underprivileged groups. For example, the slaves were freed by the Civil War. The two world wars started the great migration of blacks from the rural South to economic opportunity in northern cities. Subsequently, the existence of important pockets of black voters outside the South was an important reason for key congressmen to be sympathetic to the Civil Rights Movement of the 1950s and 1960s. It is no accident that the Vietnam War era was one of cultural revolution, spawning movements in favor of various oppressed groups: blacks, women, Chicanos, migratory workers, homosexuals, the handicapped, and so on.

Though not precisely in the same way, the South also benefited from World War II. With the coming of the war, and the Cold War which followed, the federal government spent and caused to be spent billions of dollars in the South on military bases, defense-related industries, and all the infrastructure, service, and support activities that arise as a consequence of such developments. The result over the past few decades has been a rate of economic growth higher than the national average, rising standards of living, an acceleration of urbanization and suburbanization, and a reversal of migration patterns so that the region's population is also

growing at a rate faster than the national average. The Sun Belt as a real economic phenomenon has been so publicized and visible that it has stimulated a political backlash among congressmen from the "frost belt" states. The South is still relatively disadvantaged, but the gap between it and the rest of the nation has dramatically narrowed since 1940, and all of the projections indicate a continuation of this differential rate of economic and demographic growth over at least the next couple of decades.

That the initiator of all of this good fortune was the federal government is more than ironic. Ever since the South became self-conscious as a region, whenever you date that awakening, the most fundamental changes have come from outside: the abolitionists, the Union armies during the Civil War and Reconstruction, the carpetbaggers, the robber barons who in the late nineteenth century determined that the South would play the role of an economic colony of the North, the two world wars unleashing social and economic change, the Supreme Court from the *Brown* decision in 1954 onward, and the federal government more generally acting as the guarantor of the Civil Rights Movement. No wonder Southerners sometimes feel at the mercy of a hostile world and show more than the usual amount of reluctance to believe hucksters' claims that economic growth has only beneficial consequences and, "not to worry," that those will take care of themselves.

It is at least sobering to reflect on the fact that exhortation failed to change the South very much, though it was applied in copious quantities over a period of more than half a century. My own conclusion, however, is that this is less cause for despairing about the ability of man consciously to shape events than it is the result of a willingness to ignore the facts of economic development, a willingness induced at least in part by greed, but also by the inevitabilities of the situation.

No conspiracy theory is needed to explain the failure of the South to achieve the rapid rate of economic development it desired during the half century or so after Grady's historic speech. The typical southern business enterprise was not of the sort to lead to secondary and tertiary developments. Perhaps this can be best illustrated by the thumb rules by which economic planners now

live. They realize that some payroll dollars are more powerful than others and they measure the stimulative power of payrolls with a multiplier index. A new service industry in a community is a good thing, of course, but it does not do a community a lot of good for its members to scratch each others' backs in more or different ways. Therefore, the multiplier effect of a service industry payroll dollar is not much more than a factor of one. It doesn't reverberate through the community in ways that leave new economic enterprises in its wake. Manufacturing, as Henry Grady sensed, is much more powerful, with a multiplier effect on a community between one and two. Hamburger joints, laundries, movies, automobile dealerships, and various suppliers and reproducers will spring up in response to a new manufacturing plant; and its money will circulate rapidly through the community, doing good every time it changes hands. Headquarters of large corporations have a multiplier effect close to three because of all the high-priced activity needed to service the headquarters: lawyers, insurance companies, and public accounting firms, as well as the usual array of personal service and cultural activities. This hierarchy of multipliers is the reason Houston and Atlanta have outstripped manufacturing cities such as Birmingham and service-oriented cities such as New Orleans.

One of the remarkable things about the current, booming industrialization of the South is that the basic issues remain the same as those perceived by Grady, Daniels, and Ethridge.

The first set of issues contains such basic, enduring social and economic questions as these: Can prosperity help us achieve a racially harmonious and just society? Can the South take advantage of its natural resources without irreparably damaging them? Can it establish its own manufacturing and high technology industries which will pay wages comparable to those paid nationally without falling prey to all the ills of modernity which afflict the North? As a southern historian, my considered response to these questions is that the South *should* be able to achieve these goals.

The second set of familiar issues facing today's New South could, for any other part of the country, be styled "aesthetic concerns." For the South, however, they are matters of substance. Is Atlanta to become Kansas City South? (In New Orleans, they consider this a

moot question, but I believe that is a hasty judgment.) Will Louisiana become another New Jersey? It is possible to make a respectable argument that the answer to these questions is yes. The *Economist* of London reported in March 1979, for example, that “the South will hold onto its character for perhaps another generation, but the forces of convergence and conformity seem bound to overwhelm it in time.” As a southern historian, however, I can assure you, that dog won’t hunt.

On the other hand, I am not so sanguine as to believe that the South can modernize and industrialize, yet retain its regional identity and richness, without a lot of hard work. If the South is to achieve balanced economic growth, as I believe it must, then some strategy must be found to break the historic pattern of change being imposed from the outside by forces out of our control. The task is a difficult one: to extend a metaphor mentioned earlier, the South must find a way to attract suitors while keeping them at arm’s length. There are signs that we may be mastering this difficult trick. Georgia-Pacific, for example, which cuts down millions of southern pine trees every year, is relocating its corporate headquarters from the Pacific to Georgia.

A crucial part of any strategy to cast off the dead hand of historic patterns, to grow and prosper, must be education, as Mr. Jefferson recognized long ago. Modern economic and social life is based upon knowledge; the creation and control of new knowledge is the key to prosperity and power. If the South is to gain more control over its own fate, it is going to have to invest more in higher education and research. The ancillary benefits will reverberate through the region in unpredictable but very healthy ways.

Finally, let me suggest that in finding the right balance between protection of its way of life and encouragement of development, the South can learn a lot from its experience with kudzu, the “miracle plant” which was originally promoted as an ideal soil binder but which took over the show as soon as it got its roots in the soil. Once burned (or buried), the South should be twice shy. An ingenious and encouraging twist to the kudzu saga, by the way, is a recent movement to encourage its consumption—by people, not cows. Kudzu quiche is said to be especially tasty.

QUESTIONS FROM THE AUDIENCE:

- Q. You briefly mentioned the role of the federal government in the industrialization of the South, but you didn't say much about the role of the southern politician in that process. I wonder if you might have additional comments.
- A. I think the one follows from the other. The role of southern politicians has had a great deal to do with the policies of the federal government.

There was a charming and interesting book written by a journalist two years ago called *The Natural Superiority of Southern Politicians*, whose thesis is what the title says. The book begins with the period of the American Revolution and the early Republic. The Founding Fathers were in fact predominantly southern. The South controlled the national government most of the time from Washington through Jackson. Our history has gone down hill since then. The author makes a good case for Southerners being a bit more adept than Northerners in human relations. In particular, southern congressmen have done a better job than those from the North at what could be called in-service training. Southern congressmen, no matter what their ideological leanings, take the new congressmen from the South under their wings, show them the ropes, and teach them how the House and the Senate work. That and the seniority system, which only recently has begun to break down, has resulted in Southerners ending up in disproportionately powerful positions in both Houses. Southerners in key positions in Congress have had a great deal to do with the direction of federal largesse.

- Q. You have mentioned some of the characteristics of the South and of Southerners. Is another one a higher productivity, and is that something that is essential to be retained in the South if it's to keep its economic edge so far as the relocation of businesses is concerned?
- A. That's a good question, as well as a complicated one. I'll respond to it, but I hope some of the businessmen in the audience will also comment.

I have talked with a good many corporate executives who

have either relocated their corporations in the South or thought about it and decided not to. As I have talked with these people, I always ask, Why did you decide to come to the South or why did you decide not to come? You get various answers to that question. Businesses decide to move or not to move for reasons that go beyond the labor productivity. For that matter, labor productivity is largely connected to the level of mechanization of an industry; indexes of productivity measure the capital intensity of an industry more than they do how hard a worker works. Businesses make their decisions to move or not move for so many different reasons that it is difficult to make a firm generalization, but there is a pattern. Businesses in general find it very advantageous to deal with the southern work force. This is not simply because the work force tends to receive lower wages than in the North and not to be unionized, because in some industries and in some areas of the South that's not true. Businesses find the southern work force advantageous because workers tend to show up on time and work hard all day and be interested in their work. That's part of the Judeo-Christian hard-work ethic that we are all brought up with in the South. That value system is very much alive. I think it is important to maintain it, and it is beneficial for the South.

I hope a businessman in the audience will respond to this question.

- A. (Robert W. Bracken, President of Morton Foods) We moved our corporate headquarters to Charlottesville from New York in 1974. I'm not sure that the quality of the work force played as big a part in our decision as it might today with the fuller knowledge we have of the area and so forth. There's no question that the productivity level and the loyalty, which is intangible and difficult to measure, is much greater here than it was in the New York area.
- A. (President Hackney) I hear that all over. I've talked with Tulane alumni in almost all the major centers of the South, and I hear that over and over. I take it to be true—and important.

The Southern Economy: Progress, Problems, and Challenges

Thomas I. Storrs

Thomas I. Storrs began his career in banking in 1940 soon after his graduation from the University of Virginia. He was on the staff of the Federal Reserve Bank of Richmond until he became a naval officer in 1941. After the war he rejoined the Federal Reserve Bank of Richmond, but took leave for graduate work at Harvard University, where he received the M.A. in 1950 and the Ph.D. in 1955. He returned to the Richmond bank as Vice President for Research. He joined the management of the North Carolina National Bank in 1960 and has been its chief executive officer since 1973. He is also a director of Black and Decker Manufacturing Company, and in 1974–75 was President of the Federal Reserve Board Advisory Council.

For advice and assistance in the preparation of this paper I am very much indebted to Professors James W. Clay and Alfred W. Stuart of the University of North Carolina at Charlotte and to Alfred G. Smith III, Senior Vice President of North Carolina National Bank.

The South has made great progress over the past forty years. Attitudes have changed. The South is no longer viewed as a depressed area. Instead, it is now perceived as a region of high growth. Problems have developed as a result of growth, but in recent years more attention has been placed on cataloging virtues than faults.

The assumption of *further* rapid growth is widespread. We should question that assumption. While rapid growth is very likely, new *forms* of growth will be more difficult to achieve. The boost that the region has received in the shift from agriculture to manufacturing will not be repeated.

A HISTORY OF UNDERACHIEVEMENT

Before speculating on the future, however, let's view the South in the context of the last several decades.

Early in his presidency, Franklin Roosevelt declared the South to be the nation's number-one economic problem. This statement was perceptive because it recognized not only that the South was poor but also that the region's chronic problems were a national liability. His statement offended many Southerners at the time because they had always been proud even if poor. Some preferred to believe the brave talk about a New South of progress and affluence. But the president's statement was based on indisputable facts. A few were these:

Income levels were substantially below national levels. In 1931 per capita personal incomes in the South were just 42 percent of those in the rest of the country. This fact affected the well-being of the average individual and greatly reduced the attraction of the region as a market for goods and services. Southerners were scrambling to provide basic necessities of life and therefore were not good customers for more discretionary items. Thus, the trade and service base of the economy was underdeveloped. In addition, low incomes did not provide the tax base to support education and other public services that were necessary if the region was going to break out of the cycle of poverty.

The economy was heavily committed to agriculture. In 1930, 43 percent of southern employment was in farming, compared to only

15 percent in the rest of the U.S. By 1940 farm employment was down to 35 percent, but that proportion was still more than twice that of the next largest sector, manufacturing. The South had half the U.S. farm population, and the average farm was half the size of those in the rest of the U.S. The average nonsouthern farmer had three times more capital invested in farm machinery than his southern counterpart did. Overspecialization in a few cash crops, a high-interest-rate farm mortgage system associated with sharecropping, severe soil erosion, and unsophisticated marketing systems added to the problems of small size and undermechanization. No wonder then that agriculture was the fundamental basis for the relative poverty of the region. The region continued to be considered a poor investment risk; thus it was denied access to much-needed outside capital.

Education levels in the South were discouragingly low. Illiteracy was twice the U.S. rate, and as late as 1940 about 42 percent of southern adults had less than an eighth-grade education, twice the non-South proportion. Progress was occurring because the South spent a higher proportion of its income on education, but millions of children were being educated and then leaving the area as soon as they reached early adulthood. Not only was the southern population poorly educated, but it was also malnourished and not in good general health. Obviously, ignorance and poor health greatly affected many individuals and severely retarded the very economic development that was needed in order to solve the South's problems.

Not surprisingly, people were leaving the South in droves. Out-migration began in the late nineteenth century and accelerated in the twentieth, especially after the country's inflow of foreign immigrants was sharply reduced in the 1920s. By 1940 there were 4.7 million Southerners living outside the region, compared with only 2.0 million "outsiders" living in the South.

PROGRESS BRINGS NEW CHALLENGES

I recite this discouraging litany only to contrast the position the South has now achieved. President Roosevelt's declaration is no

longer valid, and the entire nation is better for it. All Americans should take pride in the changes that have come about. Similarly, since progress has brought problems and challenges still remain, we should all be concerned with the manner in which the South meets its new problems and rises to its challenges.

The first major point of my talk will be to outline how the southern economy has changed and to suggest that these changes have been accompanied by important changes in the *structure* of the South.

Over the past several decades, certain years seem to symbolize the changing of eras. Four are particularly significant. They are 1941, 1958, 1962, and 1970.

The Influence of World War II

The United States' entry into World War II in 1941 had a profound impact on the economy of the South. The new-found mobility of workers, pressures on the effective labor supply, and the rapid increase in jobs in the region all accelerated a fundamental restructuring of the economy. Incomes increased, markets were widened, and tax revenues grew rapidly.

Perhaps as significant, workers gained valuable industrial experience; and servicemen, returning from the war, came back less satisfied with the poverty-stricken rural environment back home.

The Shift to Manufacturing

In 1958 the South passed a major milestone in the restructuring of its economy. For the first time in the South's history employment in manufacturing exceeded employment in farming. Since then, farm employment has declined to a relative level close to that in the rest of the country. Through mechanization and increased farm size total production remains high; and the South, with abundant land and a favored environment, may well continue to experience increases in agricultural production. However, never again will it rely on farming as a major employer. Manufacturing employment has grown to be more than three times greater than that in agriculture.

Retail and wholesale trade, services, government, and other sectors have grown rapidly also to give the South a modern, balanced economy very similar to that of the nation as a whole. Equally as significant as simple growth, however, has been a broad diversification within manufacturing. Traditional southern industries have experienced a relative decline. In 1939 textile employment accounted for 35 percent of manufacturing employment in the South. That had shrunk to 11 percent by 1976. Wood, which accounted for 15 percent in 1939, accounted for 4.6 percent in 1976.

Traditional southern industries—defined to include textiles, tobacco, food, paper, and lumber—accounted for 29 percent of total employment in 1976, a drastic reduction from the 65 percent in 1939.

Table 2.1 reflects the changed distribution of personal income sources during two recent decades. It also shows the increasing shift to the manufacture of durable goods in the South.

Table 2.1 Personal Income by Industry Source in Manufacturing

Industry	1958	1978
Food	11.8%	8.1%
Textiles	12.2	8.7
Apparel	5.2	5.6
Chemicals	10.1	9.6
Primary Metals	7.3	6.4
Machinery	4.3	8.7
Electrical Equipment	3.6	8.1
Others	45.5	44.8
Durables	43.7	51.5
Nondurables	56.3	48.5
Total Income (Millions)	\$15,157	\$83,174

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce, *Survey of Current Business*, Vol. 59, No. 8, Part II, August 1979, Table 3.

It is important to note the *location* of the higher-wage industrial growth. A high proportion of it is occurring in urban areas. A key aspect of this is the tendency of industry to locate on the edges of

urban areas as well as within them. In North Carolina, for example, 38,700 jobs were added in higher-wage industries between 1970 and 1976. Almost 73 percent of this occurred within metropolitan areas and another 20 percent was located in counties that were adjacent to a metropolitan area and served by an interstate highway. The remaining 7 percent went to the other sixty-six counties.

The tendency for higher-wage industries to focus on urban areas, even in less urban North Carolina, is confirmed by an even more detailed analysis. In 1978 there were 213,948 manufacturing employees in North Carolina in four-digit SIC industries that tend to pay wages above the national average. Exactly 66 percent were employed in metropolitan counties while another 20.9 percent were in the counties that were adjacent to an SMSA and on an interstate highway. This left barely 13 percent for the remaining sixty-six counties. This tendency for high-wage industry to be distributed broadly within and along the peripheries of urban regions has implications for the future of these areas and for the less-favored rural areas as well. The changing mix of industrialization has been accompanied by dramatic improvements in income levels. Per capita personal income in the South was 90 percent of the national average in 1978, a rise from 84.6 percent of the national average in 1969.

As a measure of well-being these figures may overstate the differences between living standards in the South and the rest of the nation. If per capita income is adjusted for differences in state, local, and federal taxes and further adjusted for cost of living, the picture for the new South looks even better. For example, North Carolina turns out to be 99 percent of the U.S. average on this basis instead of an unadjusted 85 percent; Virginia is 106 percent instead of 98 percent; and Mississippi, which is at the bottom of most of these comparisons, is 86 percent of the national average instead of an unadjusted 72 percent.

While adjustments of this sort are something less than perfect, there is still a strong presumption that living standards in the South more closely approximate those of the nation than the published figures suggest. Many areas of the region compare quite favorably with any other areas in the United States.

Averages, however, tend to distort differences within the region. In some respects, the intraregional differences in the South are more pronounced than the differences between the South, on average, and other areas of the country. In 1977 southern counties in metropolitan areas had per capita income levels averaging \$6,644. In counties adjacent to metropolitan areas the average was \$5,426, and in the more rural counties the average was \$4,839. The level of per capita personal income in the more rural counties was only 72.8 percent of the metropolitan average.

Table 2.2 Per Capita Personal Income Levels

	<i>Per Capita Personal Income 1978</i>	<i>Percent of U.S.</i>	<i>Percent of U.S. as Adjusted *</i>	<i>Percent Change 1969-78</i>
Alabama	\$6,291	80%	94%	113.4%
Arkansas	5,969	76	95	132.3
Florida	7,573	97	109	120.3
Georgia	6,705	86	101	116.6
Kentucky	6,607	84	99	130.4
Louisiana	6,716	86	96	136.6
Maryland	8,363	107		109.8
Mississippi	5,529	71	86	137.6
North Carolina	6,575	84	99	119.6
Oklahoma	7,137	91	106	132.4
South Carolina	6,288	80	95	128.8
Tennessee	6,547	84	96	127.6
Texas	7,730	99	111	136.0
Virginia	7,671	98	106	125.6
West Virginia	6,624	85	99	142.1
South	7,062	90		127.6
U.S.	7,836	100		113.7

SOURCE: Derived from various sources: *Income*: Bureau of Economic Analysis, U.S. Department of Commerce *News*, 16 September 1979, Table 2. *Taxes*: The Commerce Clearing House. *Cost of living adjustment*: Bureau of Labor Statistics, Budget Studies, *News*, 5 May 1976.

*Adjusted for cost of living and per capita state, local, and federal taxes.

Between 1969 and 1977 total personal income in the South increased 129 percent, compared with a 98 percent increase in the

rest of the nation (see Table 3). There were significant differences in growth between metropolitan and nonmetropolitan areas in the national figures; nonmetropolitan area growth outpaced that of metropolitan areas 122 percent to 102 percent.

The nonmetropolitan income growth rate was also higher in the South by a slim 131 percent to 128 percent margin. This suggests that a possibly desirable equalization of incomes throughout the South was occurring; but the important fact was the high growth rate in the region's urban areas, which continued to hold the vast majority of total income.

Table 2.3 Total Personal Income, SMSAs and Non-SMSAs

	SMSAs			NON-SMSAs		
	1969	1977	Change 1969-77	1969	1977	Change 1969-77
	(millions)			(millions)		
South	\$133,066	\$ 303,149	128%	\$ 55,820	\$128,942	131%
Non-South	456,776	887,981	94	92,571	199,821	116
Total U.S.	589,842	1,191,130	102	148,391	328,763	122

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce, *Survey of Current Business*, Vol. 59, No. 4, April 1979, Table 2.

Note: Includes all portions of SMSAs in 15 southern states.

Economic Importance of Blacks

The third date I mentioned was 1962—the year of federal voting rights legislation. While this legislation has a whole array of social implications, the economic implications are simply that blacks have become increasingly important in the labor force. The effective base of human capital that can be used for productive means has been greatly augmented. And this, I might mention, is a benefit to the whole South. It is apparent in the entire array of economic data of the past two decades.

The Shift to In-Migration

The final key year is 1970. One of the results of civil rights legislation and changing social patterns has been a shift in the population and demographics of the region.

The South has a history of out-migration. For almost 100 years following the Civil War the South lost population to every other area of the country. The South experienced a net migration loss of more than 6 million people between 1880 and 1960. Despite this loss the South maintained a constant share of the national population due to its high fertility rates.

Migration, of course, occurs in opposing streams. In the 1950s the South began to experience a relatively strong in-migration of whites. For the first half of the decade this was more than offset by out-migration of blacks. By the middle of the 1950s the white inflow just about offset the net outflow of blacks. Table 4 shows the net movements.

Table 2.4 Annual Rate of Net Migration to the South 1950–78

	<i>Annual</i>
1950–55	-333,000
1955–60	60,000
1960–65	60,000
1965–70	80,000
1970–75	540,000
1975–78	333,000

SOURCE: Derived from Bureau of the Census, Department of Commerce, *Interregional Migration of the Poor*, Current Population Reports, Special Studies Series P-23, No. 73, Issued November 1978.

During the 1960s the South continued to have a strong net in-migration of whites, but the black migration loss persisted. Still, the white inflow was so strong that the region experienced a total net gain of 740,000 people during the decade.

The real drama waited until the 1970s when the trickle became a flood. Between January 1970 and March 1978 the South experienced a net in-migration of about 3.5 million people, becoming the fastest growing region in the nation. During the first eight years of the 1970s the South accounted for more than 60 percent of the nation’s growth.

If the figures are broken down further, between 1975 and 1978, 2.6 million whites moved to the South, while 1.6 million whites migrated out. During this same period the stream of black out-migration declined while the inflow dramatically increased. For the first time since the Civil War the South experienced a net in-migration of blacks.

GROWTH HAS BEEN UNEVEN

Not all Southerners can take comfort in the South's economic growth, for it has been unevenly distributed. Many places have experienced massive transformation, with growth occurring at a rate faster than adequate infrastructure and needed services can be provided. On the other extreme, some areas have continued to experience economic stagnation and decline with an accompanying population out-migration.

At the most general level these contrasting fortunes are related to the changing economic structure of the South. The new structure has a greater need for an urban-related infrastructure. With the dramatic decline of agricultural employment and parallel rise of employment in the manufacturing and service sectors, a new spatial pattern of population is appearing on the southern landscape.

Rural population of the South increased steadily from 1870, when it was about 10 million, until the early 1940s, when it peaked at about 26 million. Many of the veterans who returned from World War II did not return to the farm but settled instead in urban places. Consequently, the rate of increase in urban population spurted; and urban population increased from about 15 million in 1940 to more than 40 million in 1976. By the mid-1950s more than one-half of the South's population was located in urban places. With an increasing clustering of employment opportunities in urban places, potential supercities are emerging along with a larger network of lesser urban centers.

Southern urban prosperity is in contrast to the metropolitan decline that has recently characterized the northern sections of the country. The urban focus of southern growth is even more

impressive when one recognizes that a considerable portion of the nonmetropolitan growth is occurring within urban regions and providing access to urban infrastructures by the people who make up the growth.

Further, there is in the South an increasing rate of out-commuting in so-called nonmetropolitan counties. This is typical of counties located near large SMSAs and benefiting from their employment opportunities.

The larger cities appear to have a particular growth advantage, a sort of “urban ratchet” effect in which cities above a certain threshold are insured against population decline because diversification of the economy, economies of scale, political and corporate power, and a large market encourage new industries and investments. This seems supported by recent southern experiences: Slow-growing SMSAs have been those with a population of less than 300,000. All larger SMSAs have experienced medium to rapid growth.

Three Prosperous Areas

There are a few identifiable subregions within the South that present substantial contrasts in growth and prosperity. Three prosperous areas come to mind: the Gulf Coast, the Atlantic coastline of Florida, and the Southern Piedmont. Let’s look at each.

The Gulf states have benefited from an abundance of raw materials, especially those associated with energy production. Resources of those areas are being depleted, but the decline is not swift and the area is becoming a processing center

Florida’s great attraction is generally its climate. Retirees have moved rapidly into the area, for this reason especially. The inflow is generally viewed as the reason for growth. That is partially correct, but jobs created in Florida have risen by 26 percent in the 1970s compared to 12 percent nationally. New job growth is clearly a driving force in Florida’s economy.

The Southern Piedmont has benefited from its traditionally industrial orientation, urban infrastructure, and good regional transportation system. It has a high rural density, hundreds of small cities, and many intermediate-sized cities. On a functional

basis several multicounty groupings take on the character of larger places.

These more prosperous regions compare favorably with any place in the nation. There appears to be no immediate reason for a slowing of growth in the more prosperous areas of the South.

Three Low-Income Areas

As a contrast, in 1972 11 million Southerners lived below the poverty line, and more than one-half of these were in rural settings. On a regional basis three low-income areas can be identified:

The first two are in the mountains—*Appalachia* and *the Ozarks*. While mountain recreation and resort areas are prospering, it is the changing fortune of coal that has been most important in the recovery of Appalachia from twenty-five years of economic stagnation. U.S. coal production peaked in 1947 at slightly over 630 million tons and did not reach that level again until 1975, when production of 648 million tons was reported. The long-standing pattern of out-migration has recently been reversed in the region's two principal coal-producing states—Kentucky and West Virginia.

Coal producers have a solid, long-term foundation for expanded energy production; and these two states, having the bulk of the nation's premium-grade bituminous coal suitable for use in coke production, should continue to experience improvement.

The third area is *the agricultural crescent*—the residual of the South's old cotton belt, stretching from Tidewater Virginia through the eastern portion of the Carolinas and Georgia on through Alabama and Mississippi and into Arkansas and Texas.

Here a remarkable decline in agricultural employment, coupled with a high percentage of unskilled people, a generally rural landscape, and an absence of off-setting recreational or mineral resources, has left behind a blighted subregion which seems destined to remain essentially agricultural. The severity of the economy is illustrated by poverty statistics. In 1975, 26.1 percent of the population in Mississippi, 19 percent in Louisiana and Arkansas, 18 percent in Georgia and South Carolina, and 15

percent in North Carolina lived at a poverty level, compared to 11.4 percent in the U.S.

A RESTRUCTURED ECONOMY

The South has experienced remarkable change in an incredibly short time.

The economy has been restructured. Income gains have been rapid. A system of cities has emerged. Population has grown, especially in the urban areas. The basis for the general and chronic poverty of the region has been overcome. It seems clear that the momentum generated by these growth forces will carry into the future.

The South has become one of the fastest-growing regions in the developed world. Major flows of domestic capital are being attracted from abroad as well as from other areas of the United States. Between 1968 and 1975 foreign manufacturing firms invested in 300 plants in the South, 31 percent of the number of plants invested in by foreign firms in the entire country. Between April 1977 and the end of 1978 foreign concerns announced plans to build or expand substantially 119 manufacturing facilities in the region. Another 45 existing plants were acquired during that period.

Despite these positive developments many of the residual problems of the Old South have yet to be overcome. Poverty, undereducation, malnutrition, and poor health are still significantly higher here than in other regions of the country. Growth itself often has unwarranted side effects, particularly in the cities and on the environment of our rural areas. Solution of these problems requires continuation of strong economic growth, for without a strong economy the means for dealing with these problems will not be available.

Histories of the older industrial and urban areas of the nation reveal an unending stream of mistakes which the South must beware of repeating. One major problem experienced by other regions of the country has been a breakdown in the relationship between business and government. The *Wall Street Journal*, in a

recent series of editorials, suggested that the relatively lower levels of taxation in the South were a major reason for rapid growth in the region. More important, in my opinion, is the fact that the hostility between the public and private sectors that exists in some regions is not present in the South.

Government in the South must continue to permit the private sector to operate efficiently within a responsible market economy. Business must recognize its major role in the achievement of social and economic progress by the broader community.

The progress that the South has made is clear. The problems of rapid growth are becoming apparent. And the challenge that faces all of us is to maintain our economic momentum by working together to solve those problems.

QUESTIONS FROM THE AUDIENCE:

- Q. Could you comment on some of the reasons why there has been successful growth in the South? I believe you touched on lower wages.
- A. No, I don't think I did.
- Q. But there are some reasons for wages in the South being below the national average?
- A. There are, and one of them is the industry mix. I spoke of the traditional industries now being less than a third of total employment in the South, but they are there. The traditional industries are, for the most part, in the bottom half of the spectrum of wage rates. We are now getting more higher-wage industries in our region, and there are some very interesting figures as to the proportion of new jobs created that are high-wage jobs. Steel fabrication and electronics are on that kind of a list. This is increasing the average. It is doing it around urban centers, which means that it is not having any significant impact on the crescent that I described which statistically is what weights the South down.

Q. I believe most economists are now in agreement that the South and the West are going to be hit the least hard in any economic slowdown that we are going into, if that really is the case. Assuming that is the case, what kinds of things are going to happen here that will benefit the South? What do you see moving into this area specifically?

A. Well, let's see. We've got several different questions there, I think.

One of them is that the Secretary of the Treasury the other day did, in fact, quote some economic studies which may have come out of the Commerce Department or Brookings that said that the recession was going to hit harder in the North Central states, New England, and maybe one or two other areas than it would in the Southwest and in the Southeast. I think that's correct.

Part of the reason is the fact that we have a faster expansion than in the remainder of the United States, and that the same factors for slowing would be likely to slow growth rather than to result in a downturn, as I think will occur in New England, for example.

Now, why is this true? What I've been trying to describe here has been an accelerating growth of the South that reflects the creation of new jobs in the area and the decision of companies to move here. Now, what kind of companies are doing it? I've got some figures that I could reel off to you and what they say in effect is that the higher-wage, more demanding forms of employment are moving south into the vicinity of standard metropolitan areas, for the most part, and that they are drawing on local labor resources which they upgrade into better paying jobs. IBM is opening up a plant in Charlotte, North Carolina, that will create 1,800 new jobs.

A little later there will be a new cigarette plant that won't pay as much as IBM but will pay more than textile mills will. That will be above the average wage for the state. You can go across the state, you can go into other states and find national corporations expanding their facilities in the Southeast. The southern market is growing rapidly; it is a more substantial fraction of the national population. Miller Beer is expanding a

brewery at Eden, North Carolina (and beer in Eden would be tough to beat) to a ten-million-barrel capacity a year, which will make it the largest brewery in the United States. The beer will be shipped south; it's for the southern market.

One other thing I suppose that is of some help to the Southeast in a recession is the fact that despite the changes that are taking place, we are still more of a nondurable production area than the rest of the United States is, and durables tend to be hit harder in most recessions. In 1974, however, the textile industry virtually closed down for a period of some time to work off inventories that they had accumulated.

THREE

The Urbanization of the South

E. Blaine Liner

E. Blaine Liner is Executive Director of the Southern Growth Policies Board. He is responsible for the formulation and administration of the programs and research of the board. After receiving a B.A. in Urban Studies from the University of Oklahoma in 1961, he began his career as a Research Assistant for the Chicago Department of City Planning. While he was a graduate student at the University of North Carolina at Chapel Hill, he worked as an Assistant in the University's Department of City and Regional Planning. He left Chapel Hill to become Associate Planner for the State of New York. After two years in that position, he became the manager of the Regional Planning Division of a large research company at Lexington, Kentucky; during the years he was there, 1966 to 1972, he and his large staff prepared over a hundred contracted research reports for states, counties, cities, and private industry. He returned to North Carolina as Associate State Planning Officer in the state planning office, and he joined the Southern Growth Policies Board staff in 1974. He was Professor at the Institute of Policy Sciences and Public Affairs of Duke University in 1974 and was a Lecturer at the University of North Carolina at Chapel Hill in 1975. During the 1975-76 academic year he was Loeb Fellow in Advanced Environmental Studies at Harvard University.

The end of one decade and the beginning of a fresh one invariably is the appropriate time to pause and reflect upon the happenings of one decade and to project ahead into the new decade. The general topic "Southern Business: The Decades Ahead" encompasses a broad spectrum in terms of time as well as substance. To narrow that spectrum a bit, this paper will highlight the role and character of southern cities—since public business has become big business, and the location wherein most business is transacted is the city. There are important events and trends that should be recognized in order to understand more about this setting within which most of southern business is conducted and within which most producers and consumers live.

An important disclaimer is in order before discussing the urban condition of the South—there is still a rural South, where a very impressive portion of southern business is transacted. And, as will be pointed out later, the rural South is where rapid growth rates were observed and many important changes took place near the end of the 1970s.

THE GENERAL SETTING

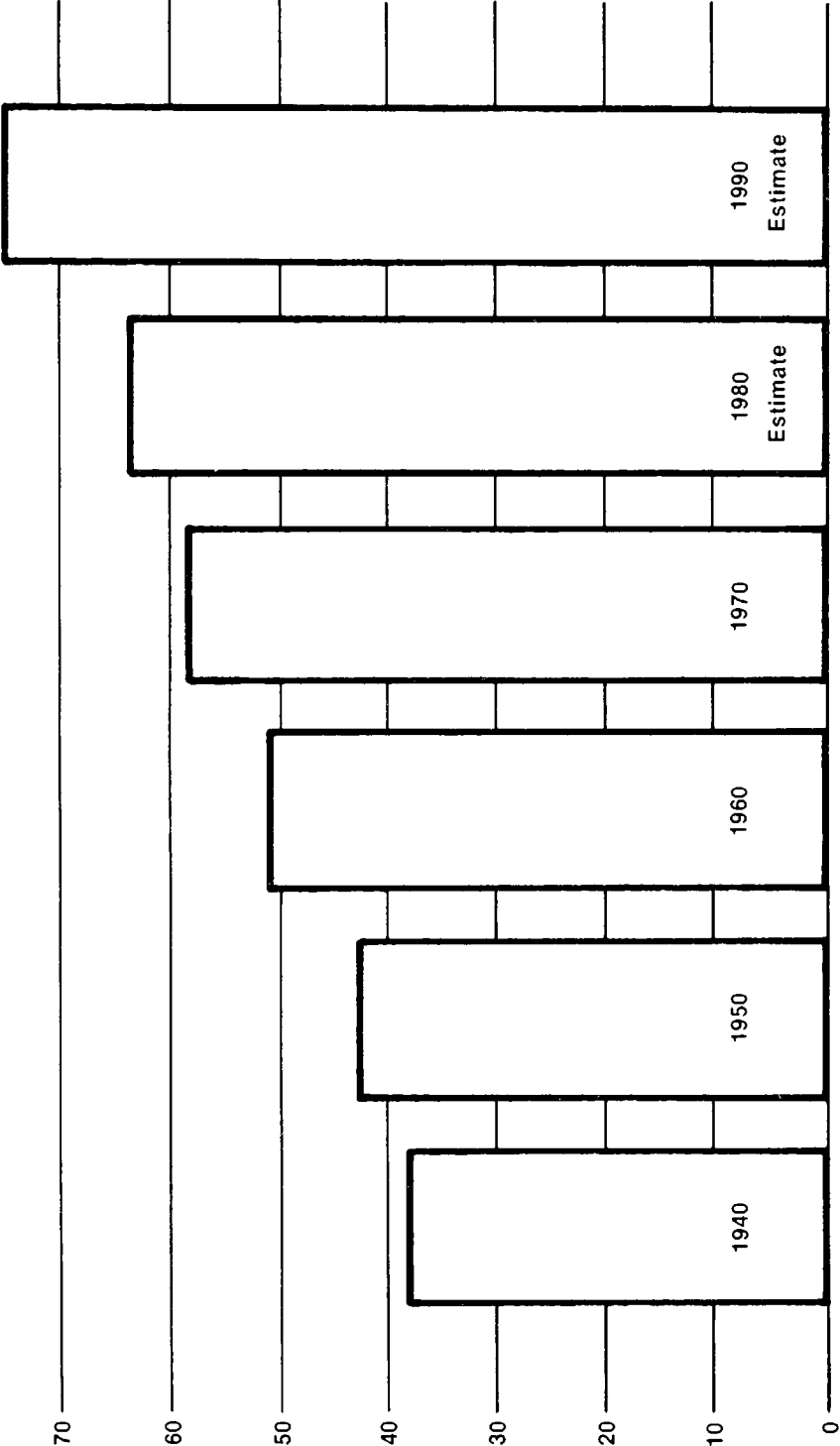
A few comments about the general setting as well as a bit of history and a few reflections on the nature of the southern population and economy will contribute to a better understanding of the cities and their future. My definition of the South embraces the fourteen states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. Most of the information from which I will be drawing for conclusions includes these fourteen states.

The total population of this area is now about 70 million. Its growth during the post-World War II period has been impressive, having almost doubled in size since 1940, when it contained only 40 million people.

But masked in this regular and steady trend is an unusual and at times explosive set of internal trends, shifts, and countertrends. While the South is more like the nation than ever before, much of

Chart 3.1 Southern Population Growth

Millions



Source: Southern Growth Policies Board Data Book: A Profile of the Southern States, 1978

the data about the South varies considerably from that of the nation, especially in terms of growth trends.

For example, while the nation grew by 6.4 percent between 1970 and 1977, the South grew by 11.5 percent. While the South's personal income growth for the same period was 111 percent, the nation registered only a 92.4 percent growth rate. And, while the South's nonagricultural employment growth was 26.8 percent for the same time interval, the national increase was only 15.8 percent. Although most observers think of the South as rural, the rural population actually peaked around 1940. In fact, the urban population has been on an ever increasing rate of increase for over a century. The two trend lines crossed around 1954, the point in time when the South's population became more urban than rural.

MIGRATION PATTERNS

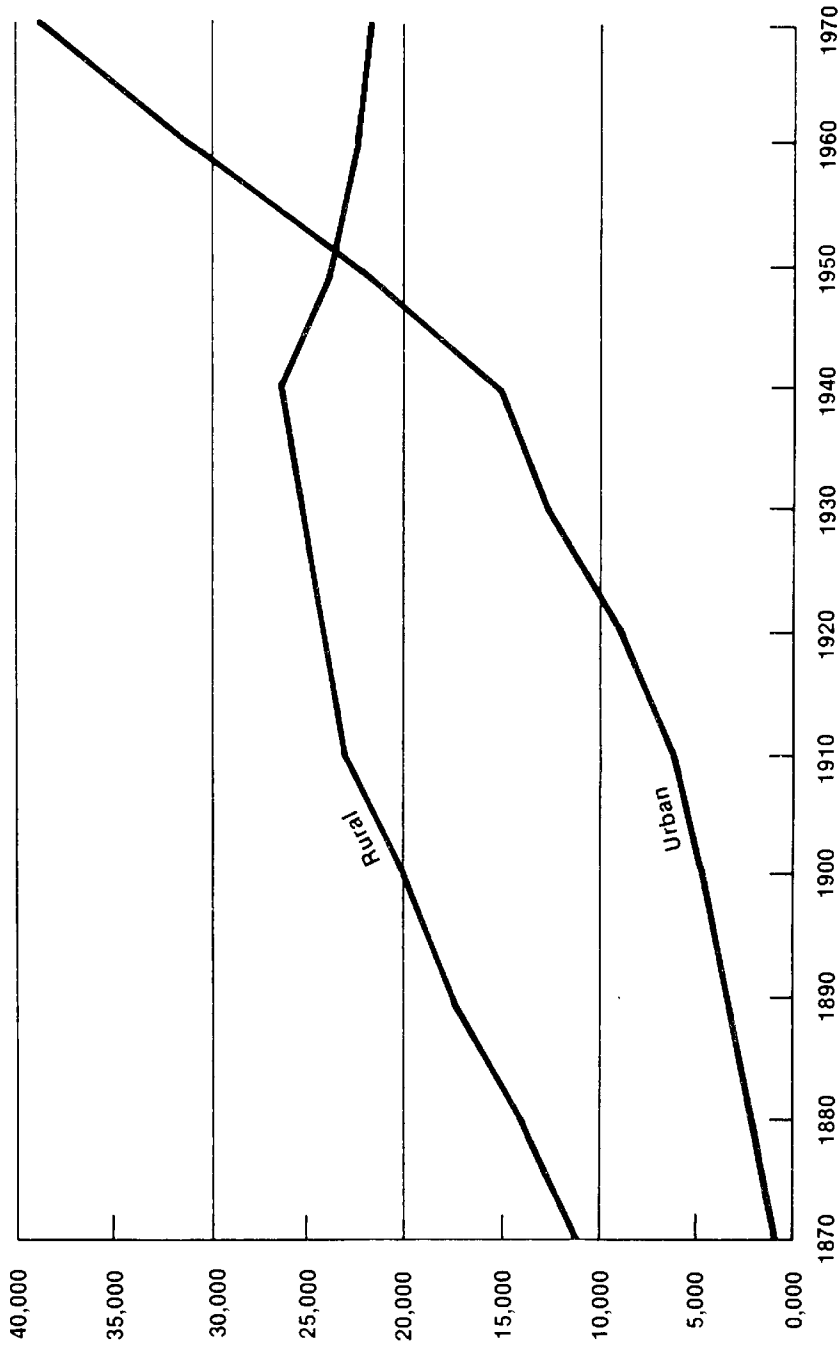
One of the most unheralded yet dramatic events in the South's history occurred during the 1960s. It was during that decade that the South stopped exporting so much of its population to the rest of the country.

Up until 1960 there had been a loss of population from the southern states each decade. However, between 1960 and 1970 the first recorded net in-migration to the South was registered—reversing what had come to be a traditional export from the southern states. A close look at the census data shows that more net in-migration was recorded during the first seven years of the 1970s than was lost during any full decade since 1900. And it is expected that the 1980 census will reveal a gain for the decade of the seventies that is comparable to the *total* loss experienced in the forty years spanning 1900 through 1940.

This is very dramatic in terms of demography—first, because the numbers are very large, and second, because it signals that major changes have occurred and are occurring in the economy of the region.

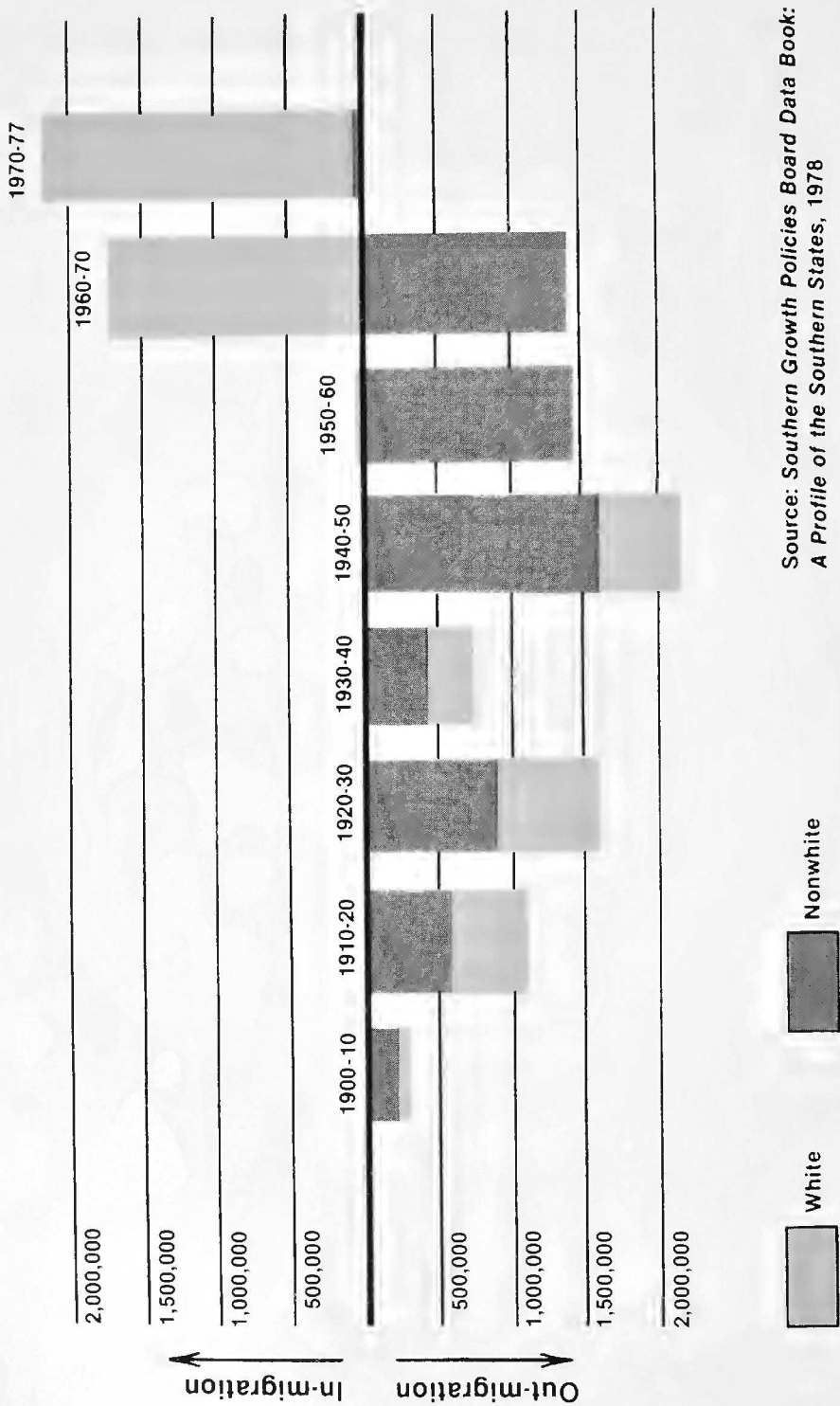
This turnaround caused the creation of the term *Sun Belt*, with all its connotations of warmth, prosperity, and comprehensive

Chart 3.2 Urban and Rural Population in the South, 1870–1970



Source: Southern Growth Policies Board Data Book: A Profile of the Southern States, 1978

Chart 3.3 Migration to and from the Census South, 1900-77, by Race



Source: Southern Growth Policies Board Data Book:
A Profile of the Southern States, 1978

coverage. But the inflow of population usually creates as many problems as it does opportunities.

The positive viewpoint is that the South has technology on its side. For example, as we cope with the problems brought by growth we have such new tools as remote sensing from Landsat, which provides us with up-to-date information on changes in land use with resolution down to the level of two acres and less. We have environmental quality regulations, controls, and permitting systems—as imperfect as they may be, they still afford greater control over the nature and location of growth than was the case in, say, the Midwest, when it went through its growth period a century ago.

The planners, the engineers, the sociologists, the public and private officials, and the interest groups—all have technology and the knowledge that comes with it on their side, knowledge that was unavailable to their predecessors. And with the lessons learned from other countries and other regions within this country, the final result should be infinitely better. If not, then our failures will be judged as worse failures.

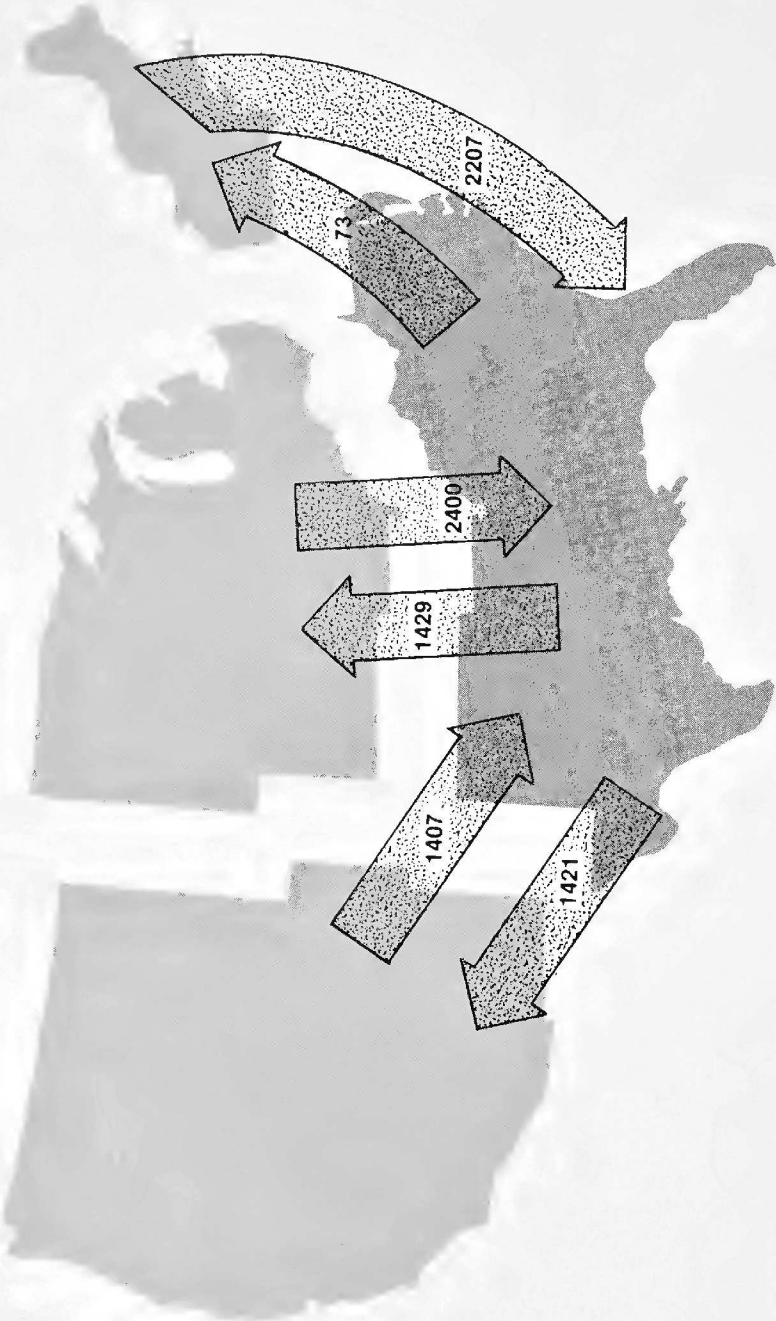
It is interesting to note in passing that the nation is now growing at the pace of two million people per year—slightly more than one-half of whom become Southerners each year. The South has a much higher birth rate than any other region, but not enough so to account for this growth of over one million new people per year. So, whence do they come?

The Northeast is the major contributor to the South's growth. In the 1970–77 test period, the Northeast contributed 2,207,000 citizens to southern growth figures while only 73,000 Southerners went north, a ratio of 30:1. The Midwest contributed 2,400,000 to the South, but the South sent 1,429,000 people to the Midwest, a ratio of 1.7:1. And the western states traded almost evenly on a 1:1 ratio with the South, exchanging 1,400,000 citizens.

In spite of this impressive flow of people and the hubbub that goes with it, there has been almost no change in the regional shares of the country's population during this century. In 1900 the South contained 32 percent of the national population. In 1977 the South contained, again, 32 percent of the national population.

The major proportionate shifts among regions have been between the western states and Northeast-Midwest industrial axis.

Chart 3.4 1970-77 Migration to and from the South
(Thousands of Persons)



Source: Southern Growth Policies Board Data Book: A Profile of the Southern States, 1978

The West gained a full 12 percent of the national population during these seven decades; the two northern regions provided that 12 percent gain through their losses.

In essence, the recent gains in the South brought it back to its turn-of-the-century share of the national population. But if current trends continue for another decade, then the South will gain several percentage points in its share of the nation's population.

SETTLEMENT PATTERNS

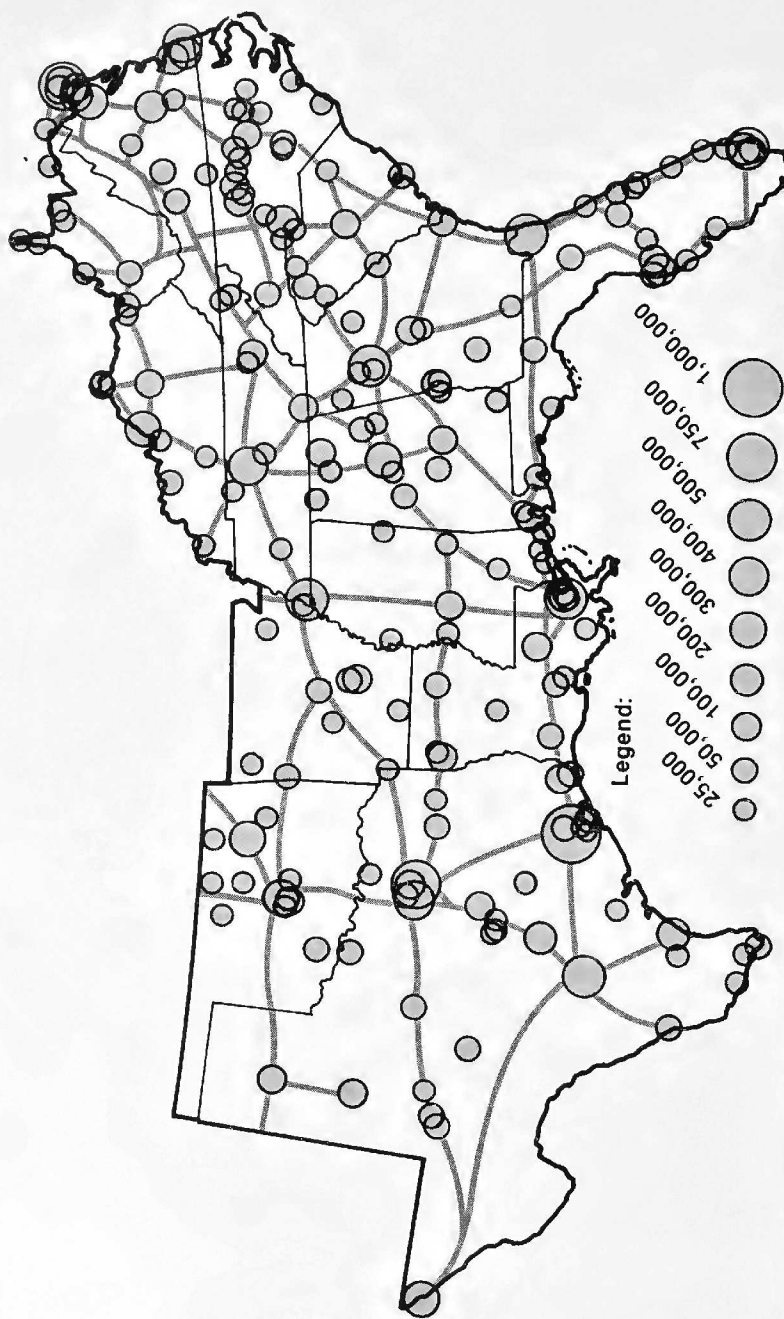
An easy way to envision the destination of this growth is to plot all the cities of the South of over 25,000 population on a map. Then, overlay the interstate highway system over the plotted cities. The result is a huge trellis or lattice on which growth has been thriving. The interstate system has provided the framework for growth far more than any of us projected.

The major corridors of growth can be identified easily—Interstate 10 on the Gulf Coast, the Piedmont Crescent along Interstates 40 and 85, and Interstate 95 along the Atlantic coastline.

Several years ago Dr. Jerome Pickard, a noted demographer, projected the growth of these areas—well in advance of the completion of the interstate network. His projections clearly reinforced the supposition that the interstate system would structure growth on the regional scale. And little need be said to confirm the more local impacts of interstate highways and their urban, or even rural, intersections. Pickard projected fourteen urban regions, or conurbations, that would contain more than one million people each. These will be the large mass markets of the future. With increasing energy prices the pattern may even become more dense and, therefore, more compact. Two of these conurbations, one in northern Virginia and the other being most of the state of Florida, will contain more than 10 million people each.

A second major factor in this turnaround in the flow of people was the Civil Rights Act of 1965. Several noted economists have observed the not-so-coincidental turnaround of population flows

Chart 3.5 Interstate Highways and Urban Centers



Source: County and City Data Book, 1972

Source: Southern Growth Policies Board Data Book: A Profile of the Southern States, 1978

shortly after the implementation of the act became widespread. To them it was the unmistakable signal of social change that opened up formerly closed doors in the local economies—just as significant in the growth of the economy as the development of the interstate system. Both had the effect of removing bottlenecks to growth.

Much evidence has been gathered to support a growing thesis that a third major factor has been the flourishing of major southern universities. As business and industry has become more sophisticated, there is a more urgent need than ever before to be located near highly skilled pools of academic-research talent. This was highlighted in a 14 March 1980 feature story in the *Wall Street Journal* that selected Tulsa, Austin, Research Triangle Park, and Las Vegas as among the current “darlings” of the industrial and business location experts. The full range of amenities usually found in these “second-tier” cities, when coupled with the skilled talent pools of their universities, make them attractive. Without higher education facilities they are less perfect locations for the higher wage and skill industries.

The completion of the interstate system, the Civil Rights Act of 1965, and the tremendous growth of higher education facilities in the South have been the three factors that more than anything else have reversed the migration trend and structured the location of growth. The return of blacks to the South in large numbers for the first time this century confirms the role of the Civil Rights Act, and the dramatic growth of cities with higher education facilities confirms the role of those institutions.

The settlement pattern depicted by arraying the growth of the South on a county-by-county basis (in percentage gain as well as in absolute numbers) further confirms the role of the interstate network as a major locational factor.

We can add to the list of the general influences already pointed out that there is a strong preference for the coast. About two-thirds of the country's coastline is accounted for in the Maryland-to-Texas shoreline. Growth in this area has been particularly strong. This is not just the usual retirement and recreation demand factors at work. It includes a refocus on the port facilities and a reflection of the increased level of export trade that has occurred in the

southern economy; that economy, incidentally, was the only sector that grew steadily during the recession of the early 1970s.

The county growth rates also show substantial growth in the more mountainous portion of the region. This, of course, is partially the result of preferences for second homes and vacations in the cooler climate found there. But, again, a great deal of manufacturing growth has been observed in these mountain counties. North Georgia, northwestern Arkansas, and eastern Kentucky stand out rather dramatically, especially in percentage growth.

Before leaving this general discussion of settlement patterns and trends, a reminder is in order. Of each year's crop of one million new Southerners, almost exactly one-half of them are bound for only two states—Texas and Florida. So growth is uneven, not spread smoothly throughout the South as is the common misperception of those influenced by the term *Sun Belt*. Not to point this out would be to omit recognition of the fact that the South still has more problem economies than any other region—local economies that have been chronically depressed and have not been touched by any of this new growth and prosperity.

PATTERNS IN THE CITIES

Masked within the huge growth rates of some areas we can find central cities that show the same signs of distress more commonly associated with the Northeast. Atlanta, for example, lost over 60,000 people from 1970 to 1977 while every county surrounding it grew at rates well above the regional and national average.

The wide variety of experience in the growth of cities is easily demonstrated. If population change rates are sorted into growth rates for metropolitan vs. nonmetropolitan areas, we find both extremes in Florida. That state led all southern states in nonmetropolitan growth (1970–76 = 29.8%) while the next highest state had only one-third that rate (Virginia, 1970–76 = 9.9%). Interesting enough, Florida also led all other states in metropolitan growth rates (23.1% for the same time period in Florida and 14.8% for Mississippi, the second fastest metropolitan

Table 3.1 Metropolitan and Nonmetropolitan Population Change Rates 1970–76

	Metropolitan	Nonmetropolitan	State Total
Alabama	6.5%	6.3%	6.4%
Arkansas	10.3	9.3	9.7
Florida	23.1	29.8	24.0
Georgia	8.9	7.6	8.3
Kentucky	3.3	9.2	6.4
Louisiana	7.4	2.2	5.4
Mississippi	14.8	3.4	6.2
North Carolina	8.6	6.7	7.6
Oklahoma	8.2	7.9	8.1
South Carolina	12.4	7.7	9.9
Tennessee	6.5	8.9	7.3
Texas	13.1	6.0	11.5
Virginia	7.3	9.9	8.2
West Virginia	-0.4	7.4	4.4

rate). There are twenty southern cities of over 250,000 population. Observing their growth trends during the early 1970s yields conclusions such as these: Our larger cities either have become balkanized by surrounding municipalities, much like the Northeast, or have almost stopped growing within their city limits, or both. In most cases the central city grew only very slightly, if at all (eight actually lost population), while the metropolitan area grew at a fairly fast clip (no metropolitan area lost population and the range in percentage increase was between 2.8% in Louisville and 25.4% in Tampa).

RECENT PATTERNS IN NONMETROPOLITAN AREAS

All of this back-and-forth motion and apparently capricious movement of the population is causing urban analysts and demographers to become more conservative in their interpretations. For example, in the late 1970s a new trend emerged. Nonmetropolitan areas, the rural areas and especially small towns, began a resurgence. The greatest growth rates at the close of the seventies came in areas that were unincorporated. This signals a shift in lifestyle preferences. It also indicates that many of the

differences between living in rural America and living in urban America have almost disappeared.

Only thirty years ago rural living was difficult—mud roads, no news, no electricity in many cases; in general, a pretty hard life was shared by all. But now the roads are well paved or maintained, the evening news arrives via television in the country at the same time as in town, and other differences have vanished due to technological progress.

Table 3.2 Population Trends of Southern Cities 1970–75

<i>Southern Cities Over 250,000 (1975) Population</i>	<i>1970–75 Population Change (%)</i>	
	<i>City</i>	<i>Metropolitan Area</i>
El Paso	19.7	15.4
Austin	17.7	22.2
San Antonio	9.1	10.0
Miami	9.0	13.5
Baton Rouge	8.3	9.5
Jacksonville	8.0	12.7
Houston	5.9	14.9
Charlotte	2.5	6.6
Tampa	0.9	25.4
Nashville-Davidson	0.7	7.7
Memphis	0.7	4.7
Tulsa	0.0	6.7
Oklahoma City	—0.6	7.7
Dallas	—3.7	7.3
Fort Worth	—8.9	7.3
New Orleans	—5.0	4.6
Norfolk	—6.9	5.5
Louisville	—7.1	2.8
Birmingham	—8.1	3.4
Atlanta	—12.3	13.2

SOURCE: U.S. Department of Commerce, Bureau of the Census.

REGIONAL ECONOMIC CHANGE

The reason for all this change and the immense choices available to the current generation of Southerners is the conversion of the

regional economy. It has, in the jargon of the economists, reached the “take-off,” a point of self-sustaining growth, especially in the sectors characterized by higher wage rates.

The surge we are now experiencing is fundamentally different from any experienced in the South in its history. It is not a cyclical surge or drop, which is what we’ve experienced in the past—the normal ups and downs in economic activity. This is a structural change. It has not occurred as the result of increased demand for the same old products, but as the result of demands for different goods and services.

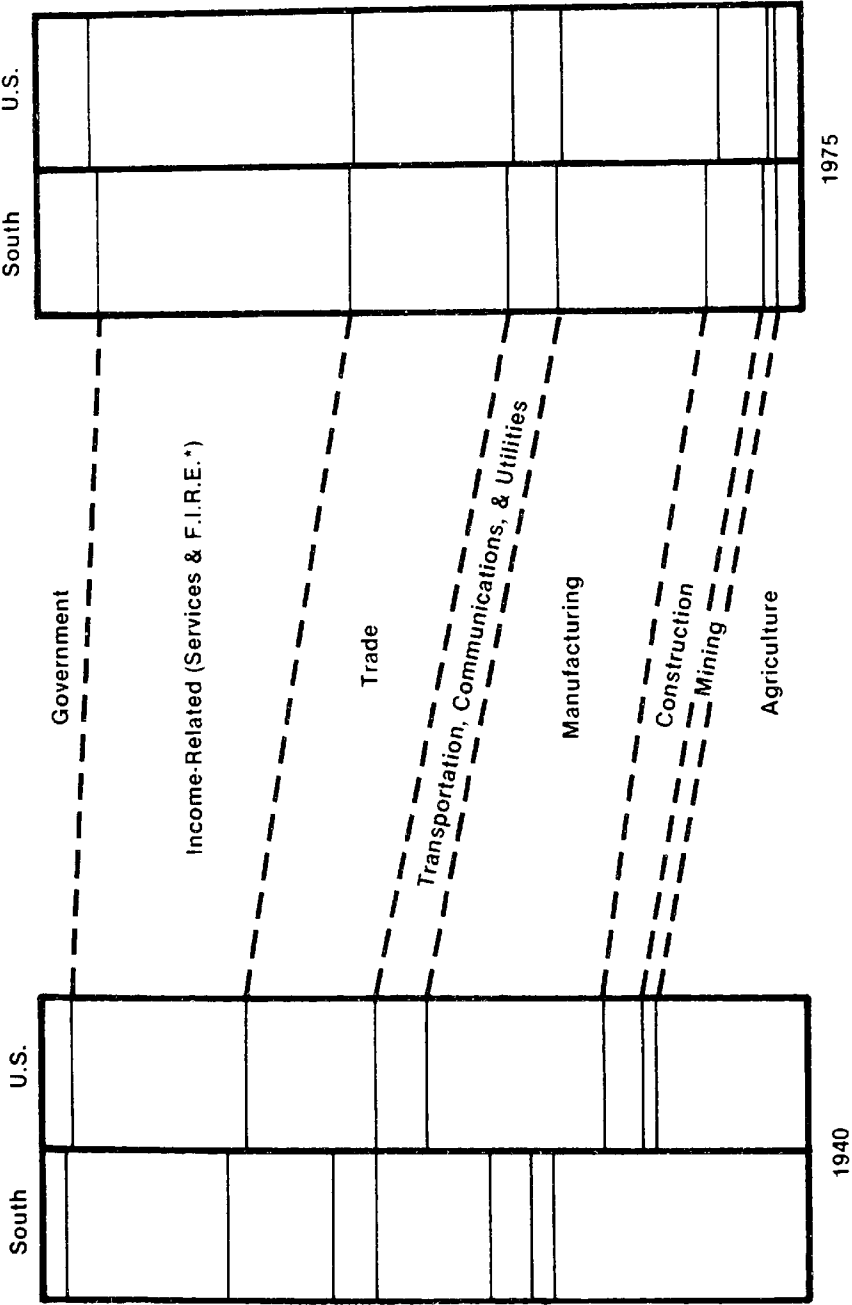
The event, much like the remigration to the South, has been unheralded. The economy has changed its structure for the better, but few have observed it. We are producing goods that require different raw materials and different processes than in past years. There is a healthier balance among the sectors of the economy. In fact, the southern economy, for so long the stepchild of the national economy, has become a member of the national family.

If you examine the economy by counting the number of workers by sector in 1940 and again in 1975, you see the evidence. In 1940 we were more agricultural than the national economy, the nation was more manufacturing than the South, and the South had fewer workers in the “income-related” sector. But by 1975 the distribution of southern workers among the sectors of the economy was the mirror image of the national distribution.

Projected per capita income growth in the South also reflects the underlying change in the southern economy. While none of the states in the South currently have per capita incomes equal to the U.S. average, six of them will be at or above the national average by the year 2000. And by then the region as a whole is expected to have per capita incomes equal to the national average. Virginia is expected to lead the South, followed closely by Tennessee. The greatest gain will have been in South Carolina.

This is confirmed by observing the income trend lines dating back as far as 1900. At that time the Southeast had incomes below 50 percent of the national average and the far West had incomes over 80 percent above the national level. Convergence of all regions toward the national rate has been a definite, observable

Chart 3.6 Distribution of Employment



*F.I.R.E. = Finance, Insurance, and Real Estate.

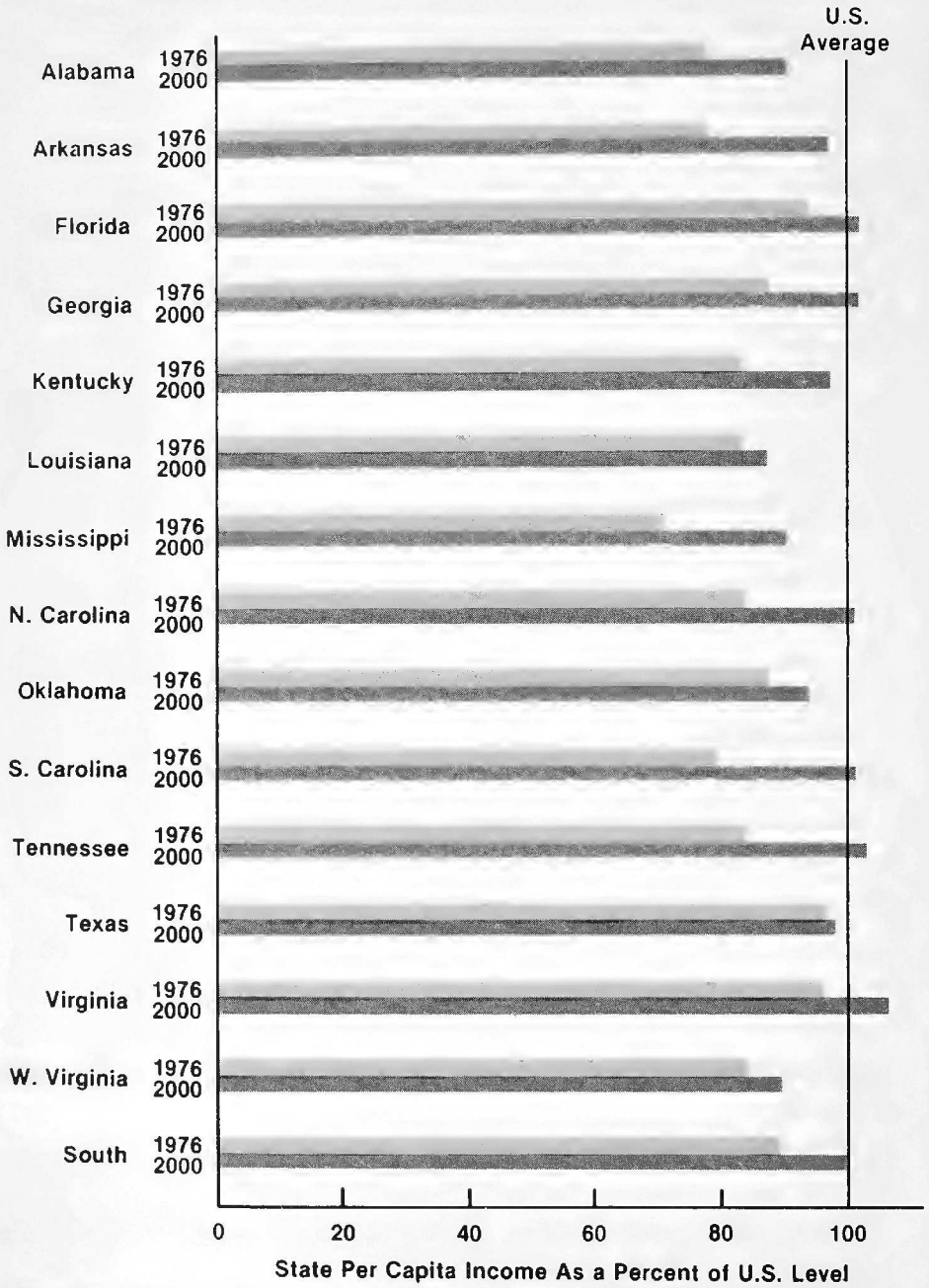
pattern throughout this century. All regions are now within 10 percent, above or below, the average national per capita income.

IN SUMMARY

If asked to reflect on all the changes occurring in the region, and then to project into the future by extrapolating those important facts, trends, or observations that should be kept in mind as the South enters the eighties, we might reach a consensus in a few critical areas:

1. In spite of the heavy in- and out-migration the South now has the same proportion of the national population that it had in 1900—32 percent; but the increase will continue at a level of more than a million people per year during the eighties;
2. The very high rate of migration to the largest cities, mainly during the 1960s, has stopped, or nearly stopped;
3. The rural areas have become more attractive as places to live and work, and settlement will continue there during the eighties;
4. The mountains and coastal areas also will continue to be primary destinations for growth, especially the coastal areas with deep water port facilities;
5. Many of the larger central cities in the South will continue to slide into the status of “distressed cities”;
6. Only when energy prices are much higher will there be a repeat of the 1960s trend of massive in-migration to the cities—the cost of energy will have to be high enough to offset the higher city taxes (due to diminishing tax bases and extensive services) for this to occur;
7. Historic patterns of growth in the South can best be characterized as dispersed. This trend will continue indefinitely, but there will be a dozen or more massive, dense urban concentrations;
8. The growth that is concentrated will continue to be influenced by interstate corridors;

Chart 3.7 Projected Per Capita Income Growth to the Year 2000



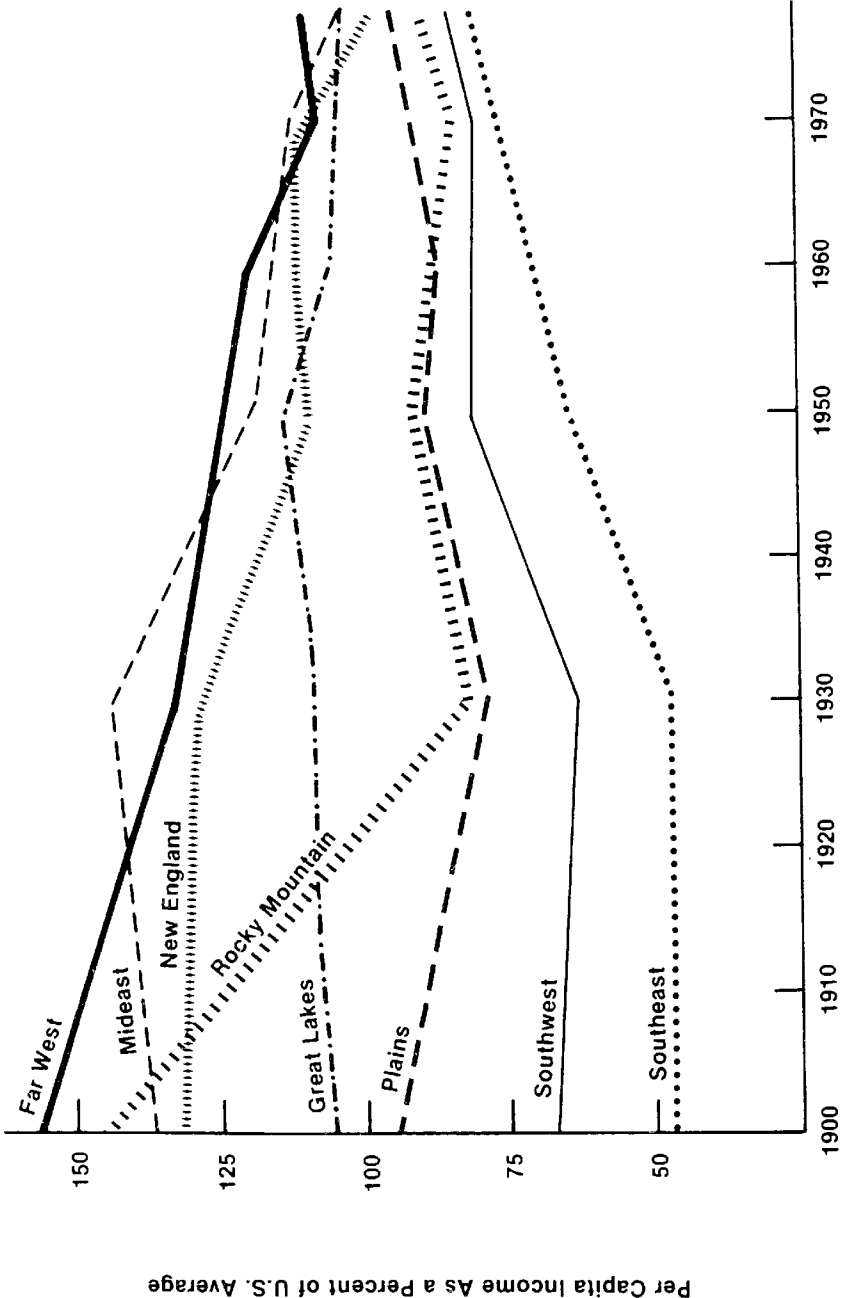
Source: *Southern Growth Policies Board Data Book: A Profile of the Southern States, 1978*

9. Cities with “senior” centers of higher education will continue to grow faster than most others. State capital cities will continue to share in this growth, especially if a major university is present;
10. Incomes for all Southerners will continue to increase faster than that of the nation, leading to more equal quality of life experiences in the South; and
11. Finally, the South’s future now depends upon its ability to build quality into its life, its environment, its communities, its employment. The first step toward that quality is investment in its people. The second is to develop policies and mechanisms that can direct the patterns of growth so as to reinforce rather than erode what the South can offer its people socially, economically, and environmentally. We have seen what haphazard growth has done to other regions. The South should not repeat that history. In shedding its tributary relationship to the rest of the nation, it can now concentrate on strengthening its own internal markets and well-being.

QUESTIONS FROM THE AUDIENCE:

- Q. A couple of times you mentioned that the South can learn from mistakes made in the northern states. Can you give me some examples of how the South has profited from northern mistakes?
- A. One thing that the South has done better has to do with its annexation laws. You’ll find that in most cities in the South annexation is possible. In the North it is not. Boston last annexed about 1821 and has had fixed boundaries ever since. New York City has the same problem. When you get broken up into self-contained, self-sufficient communities that relate only to the mother city by convenience, you don’t pay for police and fire protection in the big city; you pay for that back home in your suburban town, township, or county. Let’s take the city of Charlotte, North Carolina, as an example. It’s not a terribly big city as cities go. Two years ago it annexed

Chart 3.8 Regional Per Capita Incomes, Converging Toward the National Average



Source: Southern Growth Policies Board Data Book: A Profile of the Southern States, 1978

40,000 people. It had to do so to maintain its tax area and income because it was providing services for those people. Those 40,000 people would not have been there without some kind of functional relationship to the city of Charlotte, even though they lived up to eight miles outside the center of the city.

Another matter is the area of city finance. Southern cities use pay-as-you-go bonds far more than most northern cities. You find revenue bonds a major item in any southern city's financial statement.

Also, we in the South have some advantages and new technology that the North did not have when its cities were growing so rapidly. For example, we now have Landsat, a satellite which gives us an up-to-date picture of what's going on on the ground, down to two acres resolution. In this way we can monitor change in land development and crops.

Q. My question arises from your mentioning cities annexing land next to their boundaries. Virginia state law made annexation very difficult, but there has been some change recently in that respect as the number of urban legislators has become approximately equal to those from rural districts. Is there a similar situation in other southern states?

A. A few years ago I would have replied that southern legislatures will see a large growth in the number of their members from cities. Now I am not so sure. Since about 1977 there has been a very dramatic growth in nonmetropolitan rural areas. It seems to be a major demographic trend. All over the South there are new industrial plants located in rural or very small town areas reasonably near interstate highways. Many of these are branch plants of a large corporation, and some of them have a rather sophisticated technology. Typically they employ about 100 people—part-time farmers, nature lovers, conservationists, and fishermen. These people have become rural industrial workers.

The difference between urban and rural life is rapidly vanishing. When I was a kid on a farm in Oklahoma, you knew you were rural. I remember my first radio broadcast. It was 1946 before we got electricity. We had to wait until after the

war to get the copper to put in the power lines. Mud roads; hard work; early to rise and late to bed. Now I find little difference between rural and urban living. You get the television news in the country just as quickly as you do here in town. You have much the same lifestyle. You wear the same kind of clothing. You shop at the same suburban stores and supermarkets. When you erase the big differences between urban and rural living, a lot of people will tend to say, "O.K., I'll take the more bucolic of the two."

Higher and higher prices of gasoline probably will slow down this trend, but it may well be that, when legislative district lines are redrawn after each census, we may end up with more rural districts because of this dispersal of industry.

This new kind of rural population is more dynamic than the traditional rural population, and it is also different from an urban population. Its leaders in state legislatures are different from typical rural or urban leaders. There have been significant changes in the composition of state legislatures in the South in the last six years or so. Where once attorneys comprised a huge majority of legislators, now they comprise only about half of the members, the other half coming from a variety of professions and occupations.

- Q. Do you see a problem in this industrial encroachment into agricultural land? Will our agricultural production decline as this rural industrialization increases?
- A. Personally, I don't worry about it. Agricultural land in the South is not being farmed intensively. The contrast between southern agriculture and Japanese agriculture is striking. Every square foot of farmland from the Virginia suburbs of Washington south to Miami could be used just as efficiently and productively as in Japan. If we should do that, no other part of the country could enter the agricultural market because we could produce enough to feed people in other nations as well as in this country. The matter that worries me more is water. The water table, particularly in the Great Plains, has been dropping very seriously. The water table in Kansas and nearby states recently has been dropping at the rate of forty feet a year. We are headed for another dust bowl

there. Now when that area becomes less productive agriculturally, we're going to have a great intensification of agricultural production in the Southeast and in the south central areas.

FOUR

Working in the South

Richard A. Beaumont

Richard A. Beaumont joined Organization Resources Counselors, Inc., in 1958 and has served as its president since 1964. He was on leave 1966–67 to serve as Deputy Under Secretary of the Navy. In 1970–71 he was Senior Vice President and Director of Amerada Hess Corporation. He has served as a consultant to major corporations in the United States and abroad, to various agencies of the federal government, and to state and local governments. He did his undergraduate work at the University of California and received the M.A. from the University of Hawaii.

Before I deliver my remarks about employer relations and the employer relations problems in the South, I should tell you that I do not pretend to be a scholar on the South; I am not a scholar at all. I am a practitioner who has had some considerable experience with many employers of large numbers of people in the southern states; and my remarks will be based almost entirely on my reactions to, and impressions from, consulting assignments with southern employers. Some of you might hope that the discussion will be focused and directed toward some of the more dramatic incidents which have taken place recently in the labor history of the

South; but I would like to argue that there are some far more important developments that employers and employees—citizens generally in the South—should be concerned about.

Over the last hundred years or so the New South has evolved from a primarily agrarian economy to one that is industrially oriented, where people are now employed in industry as well as agribusiness, where they are employed by local southern employers as well as by employers who are headquartered outside the South. Thus, the typical worker is no longer the self-employed, independent individual, the farm worker, the contractor, the entrepreneur; he is now a member of a much larger and broader industrial sector of our society. We have seen, therefore, a large-scale evolution in the South, as the South has been moving in its own economic history from what it was to what it will be.

As part of the central theme of my remarks, I would like to say that that movement is just beginning and the question that the South must face—the employers, the employees, the citizens of the southern states—is, What will that evolution bring forward? In what ways can we affect that evolutionary process, and from an industrial point of view what will the result be in terms of the character of employment in the South in the years ahead?

This is quite a broad question and quite a broad challenge; therefore, I'd like to start my remarks by saying that one could take two points of view. One is the fatalistic point of view that says, "Regardless of what forces are impacting upon us, we as employers, or we as employees, have relatively little to do with what that evolutionary process will bring forward." That implies a fatalistic behavior toward the world in which we operate. My feeling is that if we simply allow the future to unfold without active participation on the part of all parties in the industrial world, the experience of the North will undoubtedly be the experience of the South: estrangement of the individual employee from his work and from his work place; more third-party involvement in the employment relationship; and for the South, strangely enough, perhaps more industrial violence than we have seen in the industrial North. My reason for suggesting this last characteristic is that the working population of the South is so positively oriented toward their employers that if the employers do not produce

results in terms of employee expectations, the rejection of these employers could lead to the violence that I am suggesting.

On the other hand, southern employers and employees have an alternative and option. And that alternative and option might be called “active positivism”: an action program or an action philosophy in the employment relationship that urges all—employers and employees—to recognize why the South is as it is in terms of its employment characteristics and in terms of its employer relations systems; to understand the forces of change that are, in fact, at work at this very moment; and then to develop future action or behavior plans based on a clear understanding of the forces at work, the needs of the companies and the needs of the people in the companies that operate in the South.

You might say, “We’ve heard in prior lectures that the South has grown remarkably. But why has the South grown in employment?” There are many reasons, of course. An obvious one is that the South represented a low wage community, an area where an employer could put up a plant or an office and end up with presumably lower wage costs. Therefore, locations in the South were far more competitive and attractive than alternative locations in the rest of the United States.

The second reason is that the South had an available manpower pool of both skilled and unskilled workers who were ready and willing to fill jobs that employers had available. Most employers, at least up until the last decade, were operating on the assumption that the labor force was a bountiful one; and in the North that bountiful labor force was shrinking. The South had a bountiful labor force; and that, combined with a low wage base, made the South an attractive place.

A third reason, which is not mentioned too often, is that in the South there has been traditionally a management and professional pool of talent which simply would not leave the South because of a variety of attractions—some of them historical, some of them physical, some of them cultural. Such attractions kept in the South a large pool of skilled, educated manpower that was unavailable in many other parts of the country.

The fourth reason, excellent plant sites, afforded an opportuni-

ty to build a flat, long plant where you could operate from front to back, in a very efficient, productive manner.

Another advantage is a favorable attitude toward employers. We do many studies in the South; and upon interviewing employees at almost any level, one gets a startling impression of their interest in, concern about, orientation toward the employer, his problems, and his profitability—something that you do not find typically in other parts of the country.

Finally, there is what I will simply call a favorable business environment, whether that means to you local government interest in employers and company operations or an absence of unions in the local work force.

If these are some of the reasons that brought employers to the South, I think that we should not stumble over them and decide that these are the factors which will describe the South in the years ahead. We should really take a look at what some of the integrated forces are that are working on the employment situation and on the company—any company—that seeks to operate in this environment.

One of the things an employer must have in order to operate in any environment is a clear understanding of what I will call “the local prevailing employer relations system.” By an “employer relations system” I mean a complex, integrated, interdependent set of assumptions, values, policies, and procedures that governs what happens in the work place; the company’s relationship with its employees and with its environment.

The South has a very interesting and complex set of employee relations systems; not all of them are the same, and there are significant differences that portend interesting future developments. You have operating in the South large, national companies with national employee relations policies which are imposed on their operations wherever they are located. You have also in the South large southern companies which are built out of the history and traditions of the South; there you will find policies, practices, and procedures not grossly different, but significantly different, from those of many of the large, national companies. You have small national companies and small southern companies; you have companies in high-growth industries and low-growth industries.

What I am beginning to portray is the fact that you have in the South, and perhaps more visibly in the South than any place else in the country, companies with quite striking differences in the way that they manage their employer relations systems and the way they have allowed them to flourish and grow. These differences are reflected in compensation policies, they are reflected in human resources development policies, they are reflected in retirement policies and approaches, and they are reflected in attitudes toward labor unions.

The possibility exists that all of these different types of companies in different industry groups could begin to evolve in quite different directions in the near future, and we could find ourselves in 1985 with groups of companies that have quite different viewpoints, practices, and experiences working side by side. So what has been a relatively homogeneous approach toward the employer relations systems of the South over the last decade and a half is undoubtedly going to become far more complex; therefore, the potentiality begins to exist for differences to arise between employers and employment situations, and the opportunity for whipsawing of costs upward will be great in the near future. But before we go into that, let's just take a look and see whether or not the idea that the South will continue to evolve is legitimate as one of our beginning argument points.

Let's take a look at what we are now expecting in terms of demographic changes in the South. Historically, say before the 1950s, the picture in the South was considerable out-migration with Southerners, both white and black, moving to other regions of the country provoked by the opportunity for jobs. However, beginning in the 1950s and running through the 1970s the population movement shifted to an in-migration pattern. People moved from other parts of the country into the South. And by the 1970s both whites and blacks were returning to the South. For example, from 1960 to 1980, the proportionate share of the U.S. population held by the seventeen southern states increased by 2.4 percentage points. Meanwhile, the North and its seventeen states decreased by 3.8 percentage points. By the year 2000 the South will have increased its share by 2.9 percentage points and thus will account for approximately 35 percent of the U.S. population.

Conversely, the North will have lost 2.9 percentage points and thus will contain 41 percent of the U.S. population.

The in-migration that has occurred and that which will occur over the next twenty years must have an impact on the South, its employer relations systems, and its employment opportunities. The individuals coming into the South will bring with them viewpoints which are different from those who were born, raised, and went to work in the South. Their viewpoints and attitudes about employment, about work, about society in general will be merged with those viewpoints that are typical and traditional in the South. These viewpoints inevitably will cause southern employers from outside the South as well as inside the South to make adjustments in their employer relations systems.

Another consequence of these demographic shifts which will manifest themselves will undoubtedly be changes in the composition of the House of Representatives in Washington. Reapportionment can be expected; and this will shift, in some slight way, the balance of power between North and South. What this may mean in terms of industrial policies of the nation at large and how these policies will be applied in the South can only be a matter of speculation. But whether you have more or fewer liberals or conservatives from the South in Washington, the South will be a more visible and evident area for the federal regulatory process as you have more representation from this region of the country.

In economic terms the South has changed and continues to change. Because it has evolved primarily from an agrarian economy to a mixed economy, the shift in personal income and earnings in the South is even greater than the population movement which I have just mentioned. From 1960 to 1980 the seventeen states of the North decreased their share of earnings by about 7.8 percentage points and their share of personal income by about 7.7 percentage points. On the other hand, the same seventeen southern states increased their share of earnings by 6.4 percent and their share of personal income by 6.2 percentage points. Over the next twenty years the South is expected to increase its shares by 4.9 and 5.2 percentage points and will thus account for 33.9—let's say 34—percent of earnings for the nation at large and 34 percent of personal income. The North will be losing ground;

over this period, while it will still be ahead of the South, it will have lost significantly relative to the South.

However, in spite of the statistics I have just cited, the expectation is that the South will continue to lag behind the rest of the nation in wages. I could cite a disproportionate number of statistics that would demonstrate that the South is still a relatively low wage area. So while you have growth, you still have a lagging economy in terms of wage rate levels, particularly wages paid to industrial workers. This is demonstrated primarily by average factory wages, which are lower in the South than they are in the North. Implications? Obvious. With national wage policy falling under our current Council on Wage and Price Stability and other organizations of that type, the opportunity for labor organization around the idea of wage differential is a very prevalent problem for the South now and will remain so for the future.

Suffice it to say, therefore, that from a demographic and economic point of view in the South, and in the South in contrast to the North, much is happening. But now let's go back to my employer relations system concept and talk for a moment about some of the major environmental forces which are working on a national level on all employers and what they may mean for the South. I'm only going to talk about four forces and very briefly at that.

The first force is the economy of the nation. In terms of the total national economy we expect continued high rates of inflation. The idea that inflation may drop to below 10 percent per annum between 1980 and 1985 is a hope that only a few have. I personally would anticipate that inflation in the 8 to 12 percent range will typify our national economy over those five years. This will have a horrendous impact on employee requirements in terms of wage adjustments, on employee behavior in terms of their capacity to deal with an inflationary process, and on employers in terms of their wage and benefit policies. High inflation will raise expectations and will create an environment in which, if those expectations are not satisfied, confrontation between management and its employees is bound to occur.

A second economic phenomenon of the nation at large is the low growth rate expressed in terms of GNP. If our growth rate is

hovering around one or one and one-half percent (which has been typical of the last couple of years and will be typical of the next several years), there is a smaller and smaller pie to be shared by all of the participants in the industrial process. If you also have, at the same time, high inflation rates and high expectations, that smaller economic pie exacerbates this problem of confrontation I was mentioning earlier.

A third general economic force is the drive in the United States, which I believe will begin to pick up steam in the near future, for increased productivity to make American industry more competitive in an interdependent world economy. Our productivity rates are lower than our historical averages, and it is more than likely that most national companies will look to their more efficient plants. Typically, there are newer ones located here in the South to help them achieve productivity goals that cannot be achieved in older, more archaic plants in the North. Again, management in seeking productivity changes will be seeking the flexibility, the work rules changes that are required to gain higher levels of productivity; and we have another factor which increases the possibility of confrontation.

A second broad force, which is working on employers generally and which will undoubtedly work in the South to a slightly greater extent, *is simply what I will call the two-directional force of government*. Government operates (1) through the regulatory processes, and (2) through the unfortunate continuation of our flirtation with incomes policies which I referred to a little earlier. On the regulatory side, Equal Employment Opportunity (EEO) pressures, Occupational Safety and Health (OSHA) pressures, and Employment Retirement Income Security Act (ERISA) pressures, in such terms of financial controls of benefit plans, continue to grow on employers generally. But to a large extent, because of the size of many of the employers in the South, they have been relatively free from these types of regulatory pressures.

There seems to be a geometric progression in the impact of Occupational Safety and Health requirements on employers ranging from the most absurd things being declared carcinogens to safety inspections of a far more pervasive nature than anyone might have anticipated when the original safety and health

legislation was enacted. The regulatory process has continued to creep ahead—in some cases, gallop ahead—into employment situations that heretofore were thought to be immune from these processes because of the size and, in some instances, because of their location.

On the incomes policy side we have a complete shambles of an incomes policy under our Council on Wage and Price Stability; suffice it to say that it is creating substantial problems for employers who are operating without union representation for their employees. The problem is, simply put, that if you have a labor contract with a union which has a cost of living clause in it, you are allowed to match your wage rate to what is happening to the cost of living or CPI movement. If you do not have such a contract, you are held to wage increases, now in the 7.5 to 9.5 range, which may not keep pace with the change in the CPI. While that's a problem in the short run, in the longer run it has become a problem in terms of union organization efforts primarily in the North but to a growing extent in the South. I do not believe that incomes policies will go away. They may take different forms, but the freedom of the employer to create an employment environment with his employees related to wages and benefits is a freedom that we are slowly losing—I say unfortunately so because this means that we cannot relate our employer relations systems to the particular needs and interests of a company and its employees given its economic situation.

A third major force that we should be concerned about is the trade union movement in the United States. Much has been written and said about unions; some people feel very confident that the union movement is beginning to shrivel up and die. Its membership is down, its percentage of representation in the industrial work force is down; therefore, one could draw the conclusion that this is an institution which has served the nation at large well historically but which may not serve the nation as well in the future as it has in the past. My own view is that while the institution has lost membership, this does not mean that the trade union movement in the United States is going to turn over and play dead. Indeed, it would be my expectation that labor unions will begin to analyze what their targets of opportunity may be and try to segment their markets in

such a way that they can achieve success where those targets of opportunity present themselves. One clear target of opportunity must be the South because of the dearth of union membership generally in the South. If 26 percent of the working civilian labor force is unionized across the nation, the average in the South is something like 13.8 percent. The lowest state is North Carolina with 6.9 percent; the highest is Tennessee with almost 19 percent (incidentally, Virginia is on the average of the South with 13.8 percent).

Now, whether unions are good or bad is not my argument at this point. At this point my contention is that if you are an employer in the South or an employee in the South, you would be foolish not to anticipate that union organizing efforts will increase. Unions have already found two very interesting and substantial ways of approaching organization in the South. The recently negotiated contract between the United Autoworkers of America and the General Motors Corporation includes what is referred to as a neutrality clause; it says simply that the corporation will not engage in any activities that would, in effect, give them a position other than absolute neutrality in a union organizing drive. Some unions have sought to negotiate into their contracts what are called "acclusion clauses." These are clauses that say that if a company opens a plant somewhere else in its system, offering work of the same type that it had offered in its traditional plants organized by the union, by acclusion the union will gain representation rights. Other areas that unions have been playing with have been the very well-publicized relationships or attempted relationships with J. P. Stevens, reaching into the board through such avenues as the financial route.

Regardless of the specific tactic or strategy, I would urge you to think about what you would do if you were a union leader. You would be considering new strategies to unionize southern industry. You would align yourself with others if that proved to be helpful: for example, consumer advocate groups and groups of aged, even though they might not necessarily represent unionized workers. The idea, however, would be that you should penetrate those areas which represent a market opportunity. For right or for wrong, I think we can anticipate that some turbulence will accompany union attempts to organize.

The last external force I'd like to talk about is the business organization. In this economic era, and I've already suggested this, the theme song for most entrepreneurs—most businessmen—is more efficiency, more productivity, and, in order to get efficiency and productivity, an incredible amount of flexibility in running the work place. If the businessman operates based on this theme song and seeks to maximize his efficiency, productivity, and flexibility against some of the economic and institutional forces to which I have been referring, again, I can anticipate turbulence, particularly in the South.

So, from my quick review of some of the forces at work I'm suggesting that there will be more disparity rather than less commonality in employer relations systems in the South, that there will be more aggressive union behavior, that there will be higher employee expectations, and that there may be more insidious company responses to their economic problems.

As we look toward the future, if I were asked to do a consulting assignment for a southern operator, what would I suggest? First, I would urge ensuring that the management—the management collectively, not the boss or a small group of people—understand thoroughly that the status quo is not possible and is not feasible, that the only characteristic of a healthy society is its constant state of evolution and that, therefore, we must be aware of what is taking place in the environment in which we operate. I have to report to you sadly that while I find in consulting assignments many southern businessmen who are far-sighted in their views, there are too many who are dogmatically tied to the past. When I encounter such people, I'm frequently reminded of that great phrase uttered by Immanuel Kant when he read some of David Hume's work: "I was awakened from my dogmatic slumbers." Would that we could awaken southern managers from their dogmatic slumbers to recognize that the economic and industrial world, the social setting in which we operate, is changing and changing thoroughly. And while that change may be terribly slow as viewed day by day, over the last decade the changes have been incredible.

A southern businessman said something to me that struck a bell. He said, "We like to think like traditionalists, but the only thing traditional about my business is the fact that we can reflect on what

the traditions used to be.” And I think he was very far-sighted in what he was saying. Thus, I guess that I am urging employers in the South to engage in more open and honest dialogue about where they are, where they are going, why the phenomenon of the South is what it is industrially, what its characteristics are; only then can they begin to turn realistically to what the future may be. Only then can they begin to communicate about what they as employers are trying to do, what they are striving for, what they are trying to achieve on behalf of the society generally.

This client—this nonexistent client in the South—should be certain that he understands his employee relations policies must be quite different from the policies of the past, which have been built around the theme of “let’s copy what other people do.” He must understand that employer relations policies should not be designed to be pro-employee or anti-union, not based on a paternalistic view of what the employer should do, but should be sensitively tuned to diagnose and anticipate current problems in the evolutionary needs of the business in real business terms.

This means, therefore, a philosophical base of strategic planning and the business decision-making process, with the human side of the business adequately represented in the strategic plan. Unfortunately, I have all too often experienced companies that engage in very sophisticated long-term financial planning, facilities planning, product planning, and marketing planning—but you ask, “What about the human resources planning?” This harkens back to my earlier comment that most employers tend to think that “out there, there is a bountiful labor force, you just reach out and get what you want and put it back when it’s not necessary.”

My second concern, my second recommendation, is to be absolutely certain that the business community in the South recognizes and understands its social and employee relations responsibility of injecting into the business strategic planning process, as one of the fundamental pieces, the human resources aspect which frequently is forgotten because people are more worried about markets, buildings, and products. If, indeed, employers in the South begin to understand the importance of strategic planning characteristics affecting the human relations side of the business, they will also quickly identify the responsibility

that the employer has in his role as employer as well as the responsibilities he has in such roles as purchaser and corporate citizen.

Such an employer will probably also begin to identify the philosophical roots of his organization in the South with its particular culture. He will, therefore, develop a more thoughtful, consistent corporate image related to his southern heritage and, therefore, be more supportive of the commitment to do a good job as a corporate citizen.

Now, my third recommendation to this fictitious employer is to try and address the question, "How can I as an employer and citizen provoke the evolution of new theories and new concepts in this region of the country which has its own particular employer relations characteristics?" Here, I would suggest, is a role for the academic world. I was fascinated, when I looked around for literature on employer relations in the South, to find that it is a very skimpy literature. It's scanty in character, in quality, and in quantity. My question is, "Is there a role for the educational institution to stimulate, provoke, create a center for thought analysis about the employer as an employer of people, the employer as a user of human resources?" My own feeling is that universities can make a great contribution to the South and ultimately to the nation, can help the region and the nation achieve their overall national goals.

In summation, then, let me say this. The South is a unique region of the country with unique problems and a unique culture; but no matter how unique it is, it faces some serious challenges in the future. These challenges may be greater than the challenges faced anywhere else in the country because we are coming from an era of some degree of paternalism to an era where employee and citizen expectation will be higher than they have ever been. A long time ago someone said that the primary objective of any company is to preserve its right to do business. And that's in the social good. It's in the social good because the company produces goods and services of economic value to the society. One of the objectives, therefore, of employers in the South should be to preserve their capacity to continue operating with the flexibility and efficiency and productivity that have typified this region until now. This is a

national goal for which we should strive; it is a regional goal. And it is in the achievement of that goal that I think we will test whether the southern cultural traditions will be preserved in the employer relations systems of the companies, whether they be southern or northern, which operate in the South.

QUESTIONS FROM THE AUDIENCE:

- Q. How would the possible repeal of Section 14-B of the Taft-Hartley Act affect employee relations and the growth of industry in the southern states?
- A. In the short run I honestly don't think it would have all that much of an impact. I think there are more fundamental changes taking place in the work force that few people are noticing. That may sound startling, but let's reflect for a moment. Many of the large, sophisticated companies that have come to the South have built their employer relations systems around a considerable degree of interaction between supervisors and employees. Unions have found breaking that relationship, breaking that tie between supervisor and worker, an extremely difficult process. Many of the same companies that operate in the South on a nonunion basis have opened and operated nonunionized plants in all sorts of enclaves of union society in the North, nonunion plants in the chemical industry operating in the heart of downtown Detroit. So you say, "Why?" You have to come back to the capacity of the employer to establish sound relationships with his employee population. Those relationships can only be disturbed by major external environmental forces, economics being probably the dominant one in the short run. That may sound strange to you, but I strongly believe it.
- Q. You have that wonderful phrase "awakened from a dogmatic slumber." You said that many southern managers have yet to awaken from that slumber. Is that unique to the South?
- A. That's an interesting question. I don't find very much difference in different regions; however, it's more important in the South. If you have a manager with blinders working in a

thoroughly organized steel mill in a northern state, you've got one set of problems; but you don't have to worry about labor organizations. If you have a manager of a southern plant—for example, a small assembly plant—with the same set of blinders on, he has an operating problem.

If the South moves rapidly toward a unionized work force, my concern is that the institutions here are not quite ready for it, and, therefore, there will be turmoil. It is again not an argument about keeping unions out but an argument about having some stability in the employment relationship that is important. Therefore, the need for an aware and sensitive management is greater in the South than it is in some of the more organized sectors of the country.

- Q. You suggested that the growth of population in the South is related to the growth in jobs. How much of that growth in jobs is dependent upon the nonunion atmosphere? How much of that growth will be lost if, as you suggest, unions do become more popular?
- A. That's like the chicken and the egg argument. I'm not sure which will come first. The general presumption on the part of many—but not all—American employers is that going to the South may be a way to escape unionism. Once you've made these commitments in the South, it's hard to withdraw them. Once you begin to build an infrastructure of your own operations in the South, it's hard to withdraw.

Because the South represents the last area where you can escape the so-called insidious union movement, foreign employers have it clearly in mind that the South is the place to move to. When I travel in Germany or the U.K. or in France, the first thing they all ask is, "Is it true what they say about the South?" My next remark is, "You mean about the mockingbirds?" It's incredible, but it's true that I will sit in the office of a large chemical company somewhere in Germany and the guy will tell me with a straight face the trouble with American employers is that they are antiunion and that they don't understand their social responsibilities. Five minutes later he's saying, "Now, when I go to the South, how do I operate on a nonunion basis?" Well, that's not the reason that you come to

the South. You come to the South for many reasons, of which that may be one. But if it is the driving reason, I think I would have to say to that employer, "One of these days, buddy, you're going to get it and get it good." That really is the theme of my remarks. Unless there is a longer view about the responsibility of the employer to the cultural situation in which he is embedded, his employee population will one day turn on him, perhaps with a force that he may not at all like and with which he may not be capable of contending.

Grits and Gravy: Observations on the South's New Business and Professional People

John Shelton Reed

John Shelton Reed grew up in Tennessee. He received his bachelor's degree from the Massachusetts Institute of Technology. His graduate work in sociology was at Columbia University, where he received the Ph.D. in 1971. In 1969 he joined the faculty at the University of North Carolina at Chapel Hill, where he is now Professor of Sociology. He was a Guggenheim Fellow in 1977–78, and he spent that academic year as a visiting senior member of Saint Antony's College, Oxford University.

We can learn something about southern life in these last decades of the twentieth century from the pages of *Southern Living* magazine.¹ In the past fifteen years that magazine's circulation has grown to over a million and a half, which means, unless I am mistaken, that something like one southern household in ten subscribes to it.

Since it appeals primarily to Southerners with money to spend on food processors and second homes, it seems likely that it can be found on the coffee table of one in every four or five upper-middle-class homes in the South.²

The magazine's success and its "up-scale demographics" have earned it a number of awards, not to mention a great deal of money; but here I take them to mean merely that it is giving upper-middle-class Southerners something they—perhaps I should say "we"—want. I suggest that we can use the magazine to begin an ethnography of this poorly understood population, to learn something about how they spend their money and their leisure time, about what concerns them (and what does not), about their ideals and aspirations.

And this would be a useful enterprise, because we simply do not know much about the new urban and suburban middle class of the South. We do not even *think* we know something. The extensive repertoire of American regional stereotypes just does not include one for middle-class Southerners.

And it never has. Somewhere between the planters and their set, on the one hand, and the poor whites and the poor blacks of the South, on the other, a large part of our region's population has slipped through the cracks. Although scholars have paid some attention to the black and white middle classes, our cultural mythmakers have pretty well ignored them. Their discreet charm has been overshadowed by the glamor of the upper class and by the sentimental appeal of the toiling masses.

It's instructive, for example, to consider the Carter family—not the musical one from southwest Virginia, but the political one from south Georgia. President Carter made a lot of Americans uneasy, not because of his politics or his ability, but because they could not pigeonhole his *style*. His combination of professionalism and piety, of informality and rigidity, was something new to their experience. After two years of his administration, a *New Yorker* correspondent confessed: "There is something about Jimmy Carter which makes him opaque to me. . . . With [him], I am in the dark." She envied her southern friends, who seemed to understand the man, but admitted that she felt on firmer ground with Giscard or Schmidt than with her own president.³

Certainly Carter puzzled the northeastern press, until he began simply to annoy. They understood Hubert Humphrey well enough, and made fun of him when he announced the “politics of joy.” But they did not know *what* to make of Jimmy Carter when he promised a Government of National Salvation. They could not figure out what kind of man uses the pages of *Playboy* to confess to the moral equivalent of adultery, what kind of president walks in his own parade, lectures bureaucrats about living in sin, tries to convert foreign heads of state, and does not serve hard liquor on State occasions (although he drinks it himself in private). Carter’s threat to whip Senator Kennedy’s ass was a puzzle to those Yankees who did not realize that Baptist Sunday-school teachers always talk that way about Roman Catholics.

No, this born-again Annapolis graduate, this peanut merchant and nuclear engineer, was an enigma to many people—unpredictable, and a little bit spooky.

His brother was a different matter. There was already a slot for Billy, and he could fill it to perfection, if he worked at it (which he did). We know about ignorant, no ‘count, rural southern whites. Call them rednecks or call them good ol’ boys, depending on whether you like them or not, but certainly there have been plenty of them in the literature and mass media of the United States.

And Miz Lillian—well, she was a familiar type, too. The southern *grande dame*, the apotheosis of the belle: even Walter Cronkite knew to fetch a chair for *her*.

You should not ask, though, how Miz Lillian and Billy happen to be mother and son. That juxtaposition is almost as troubling as the contradictions Brother Jimmy embodies all by himself.

The fact is, of course, that the Carters are middle-class, *upper-middle-class* Southerners, and the old stereotypes of Southerners do not fit them comfortably. Any moderately reflective middle-class southern boy who has put in some time in the North can probably testify to this. He finds that he can exaggerate his good manners, and live up to people’s idea of the southern gentleman. Or he can learn to crush beer cans with one hand, work up some colorful down-home figures of speech, whoop and holler and raise hell a lot, and live up to another set of expectations. Neither of these roles comes with complete spontaneity, but each is

easy enough for most middle-class southern males to play, and since Southerners are usually eager to please, Northerners often have their expectations confirmed. I am told that slaves used to call a similar process “puttin’ on ol’ Massa.”

The point is that, in our national consciousness, the southern middle class is effectively invisible. But it is not invisible to the publishers of *Southern Living*, who have grasped at least the commercial implications of the fact that the urban and suburban middle class of the South is growing at a phenomenal rate. The South’s economic success story over the last few decades has been made up of hundreds of thousands of individual success stories. In 1930 only 15 percent or so of the South’s labor force were employed at white-collar jobs. (The rest were in agriculture or manual occupations.) By 1970 that proportion has trebled, to 44 percent, and the 1980 census will almost certainly show that a majority of all southern workers are now in white-collar occupations—getting and spending, buying and selling, managing and “researching” and “communicating,” shuffling papers (which they seem to feel beats chopping cotton, and I would not disagree with them).

And the fastest growth in the southern occupational structure is taking place at the top, in the categories the Census Bureau calls “managers and administrators, except farm,” and “professional, technical and kindred workers”—in other words, in the upper-middle class. In the last fifteen years the number of people in these categories has just about doubled. Between 1970 and 1976 alone it increased by roughly 40 percent. The South is adding three or four hundred thousand professional and managerial people and their families to its upper-middle class each year (they now constitute a quarter of the South’s population), and apparently a lot of these people celebrate their arrival by taking out a subscription to *Southern Living*.⁴

And *Southern Living* serves them well, providing them with some guidance which they evidently appreciate. Wherever today’s upper-middle class is coming from, it cannot be, in most cases, from yesterday’s upper-middle class—because that class hardly existed a few decades ago. It *has* to be the case that many of these people have either moved up in the southern social structure or

moved down from the North. And whether they are newly middle class or newly Southerners, they can use some instruction, some sort of how-to-do-it manual, in living the Southern Good Life. *Southern Living* tells them, in no uncertain terms, how to spend their upper-middle-class incomes appropriately.

If you look at the magazine in this light sometime, you will find many articles that begin something like “Azaleas have always been a feature of Southern gardens,” or “Ham is a traditional part of Southern hospitality.” This is useful information, both for recent migrants who want to fit and for Southerners whose childhood gardens featured more tomatoes, okra, and snap beans than azaleas and who were not eating high enough on the hog to be anywhere near the ham.

Both components of the new middle class, socially mobile Southerners and geographically mobile non-Southerners, are interesting; and each awaits its ethnographer.⁵ Here, I want to concentrate on the South’s home-grown *haute-bourgeoisie*. In what respects, if any, is it still useful to think of them as Southerners? If the New South—the urban, industrial society we can see taking shape around us—has become, as I believe, a middle-class society, with a middle-class culture, this means the end of the South-as-we-know-it. Does it mean the end of the South, period?

One of the products *Southern Living* advertises these days is a “Southerner” T-shirt. Has Southernness become something you put on at home and for informal occasions, but would not wear to work? It is possible that we are coming to the point where you have to read a man’s T-shirt to know where he comes from?

To judge from *Southern Living*, some southern traditions still persist—good eating, gardening, outdoor sports, traveling and visiting, house-pride, and family life. But, of course, the magazine and its advertisers have an interest in seeing that they *do* persist, and in these respects the magazine differs little from other house-and-garden publications. There are some differences, though: to my knowledge, no other house-and-garden magazine picks an all-star football team and publishes recipes for tail-gate parties; no other as regularly prints recipes for game; and no other has as many liquor ads—oddly, in the light of what has been called the South’s “Eleventh Commandment.” (Traditionalists will be

relieved, though, to hear that one of my students recently calculated that the liquor ads in *Southern Living* are significantly more likely than those in the *New Yorker* to be for bourbon.)

We can get a better line on the South's new middle class if we turn from the pages of its favorite magazine to the results of some survey research. After a review of the literature on modernization throughout the world and a painstaking factor analysis, Harold Grasmick of the University of Oklahoma identified eight characteristics he calls "*the* traditional value orientation," typical of folk, peasant, and village cultures, and (he has shown) of the "pre-industrial" parts of the South's population.⁶ The eight traits are localism, fatalism, racism, familism, authoritarianism, traditional sex-role ideology, resistance to innovation, and (in the southern context) some aspects of sectionalism. Lots of "isms," but you get the idea.

Grasmick demonstrates that the least *völkische* Southerners are those who did not grow up on a farm, did get some college education, presently live in cities, have traveled or lived outside the South, and are frequently exposed to the mass media—in other words, the new southern middle class. My predecessor at Chapel Hill, Howard Odum, once wrote: "The way of the South has been and is the way of the folk. . . . The culture of the South is the culture of the folk."⁷ To the considerable extent that he was right, the way and culture of the South do not persist among urban and suburban middle-class Southerners, who are the least southern elements in the southern population—if by "southern" we mean racist, localistic, authoritarian, and the rest.

Even their speech is less southern. Some socio-linguistic research has found that this is the group most likely to have acquired the "post-vocalic *r*"—the absence of which has so far marked most southern accents.⁸ Their new precision in speech may be offset, though, by the fact that they're also the group most likely to drink (or at least to admit that they do)—as the ads in *Southern Living* would suggest. There is very little difference in this respect between them and other urban, middle-class Americans.⁹

So, to fill the stereotype gap, I offer you one of the New Southerner, returning to an urban or suburban home from a managerial or professional job, sipping bourbon while he—or

she—reads *Southern Living* magazine, subvocally pronouncing the *r*'s. He may have some country cousins—probably does—and he is probably less traditional (in Grasmick's sense) than they are. He may still be different from the American mainstream, whatever that is, but he is not as different as they are, or as his parents probably were.

But this picture is incomplete. In some important ways, this cosmopolitan creature is still a Southerner. He is, for starters, more self-conscious about it. It would not occur to his traditional kinfolk to wear a "Southerner" T-shirt. For that to appeal to you, you have to move in circles where Southernness is not taken for granted. We have found, in some recent survey research, that education, media exposure, travel, and residence in the North are, for many Southerners, "consciousness-raising experiences."¹⁰ The very same factors that are eliminating Southerners' village and peasant characteristics produce Southerners who *think* of themselves as Southerners, who have thought about what that means, and who are proud of their regional identity.

A reasonable question, of course, is what these self-conscious Southerners are self-conscious *about*. If their cultural distinctiveness is disappearing, the situation I am describing sounds like the cultural equivalent of reviewing your life in the course of drowning (drowning, presumably, in the mainstream).¹¹

Well, obviously southern culture has not been limited to the folk-culture traits that Grasmick studied. In some of the other ways that Southerners have differed from other Americans, middle-class Southerners remain regional creatures. The conversation-starter "Where are you from?" is still at least as good as "What do you do?" for learning something about somebody else in a hurry, and it beats "What's your sign?" hands down.

To summarize a lot of research very briefly, let us return to the *Southern Living* reader, whom we last saw sitting in his den, nursing his bourbon and water.¹² Compared to the average reader of *Sunset* or of *New York* magazine, he is much more likely to belong to a church, to support it financially, and actually to attend it. He is more orthodox in his religious beliefs. (Indeed, there is some evidence that regional differences in this respect are larger now than they were twenty years ago.) He is more likely to approve of

violence and to employ it, in a variety of circumstances. His leisure-time activities reflect this: Recall *Southern Living's* game recipes and all-star football teams. His politics are more conservative, in the free-enterprise sense of that word. Not only are his economic views more conservative than those of other Americans, but they are more conservative now than they used to be—a fact somewhat obscured by his growing liberalism on *social* issues.

Finally, both Southerners and non-Southerners believe that Southerners differ from other Americans in a number of intangible (or at least unmeasured) ways: in manners, hospitality, “pace,” style, and all other other traits that *Southern Living* exists to celebrate and to promote, and which go to make up what we might call the “texture” of everyday life. I know of no “hard” evidence to document these differences; but, like our survey respondents, I believe they exist. I experience them whenever I leave the South and return.

So to the question whether the new southern middle class is still culturally “southern,” the answer must be “yes,” with qualifications. Like the elites of other modernizing societies, these people have lost—often they’ve consciously rejected—many elements of their traditional, “folk” culture, and I see no reactionary social movement, no Alabama Ayatollah, coming forward to insist that they purify themselves. Although some residue of “the traditional value orientation” remains, these are not, in Herbert Gans’s marvelous phrase, “urban villagers.” Authoritarianism, familism, racism, and the rest—all are going with the wind among southern business and professional people. Too bad in some respects, and good riddance in others, in my view.

At the same time (again like the elites of other modernizing societies), the business and professional people of the New South are intensely conscious of the place and role of their society, its economy and its culture, in the larger world. They are not southern nationalists, not neo-secessionists; but they are likely to believe that what’s good for the region is good for them—and probably *vice versa*.

And you can still tell where most of them are from without looking at their T-shirts. The middle classes of industrial nations

have many things in common, by virtue of that fact; but just as the middle class of Sweden, Japan, South Africa, and the Soviet Union are recognizably Swedish, Japanese, South African, and Russian, so middle-class Southerners are and apparently will remain recognizably southern. I have mentioned a few of the identifying characteristics. That T-shirt I keep mentioning gives some others, and I shall simply reproduce it, to close. It is in the form of a dictionary entry. "Southerner," it says

noun. A person born or living
in the south [*sic*]; gracious,
easy-going, slow-talking friendly
folk devoted to front porches,
oak trees, cool breezes, magnolias,
peaches and fried chicken.

NOTES

1. The same thought evidently occurred independently to Allen Tullos: see his article "Azalea Death Trip," in *Southern Changes*. July 1970, pp. 6 ff. His analysis differs somewhat from mine, in that he sees what I regard as an innocent money-making operation as something more sinister. We seem to agree, however, that the magazine is an idealized reflection of the population it serves.
2. These estimates are my own, based on the result of a readership survey which *Southern Living* kindly made available. Unfortunately, their demographic breakdowns do not include one for race, so it is probably safest to assume that my generalizations here apply only to the white southern middle class, especially since (as Tullos notes) blacks do not figure prominently in the magazine's text or advertising. The survey data I discuss below are also based on samples of southern whites, although I would not be surprised to find that the same patterns are to be found among southern blacks.
3. This admission, incidentally, confirms some of my darker suspicions about *New Yorker* correspondents, not to say New Yorkers. The anonymous ruminations appeared in the "Talk of the Town" section of the issue of 8 May 1978, pp. 31-33.

4. These figures are all approximate, since their exact value depends on one's definition of "the South." In general, I have excluded Delaware, Maryland, West Virginia, and the District of Columbia, which the Census Bureau usually includes.
5. I hope to examine both in a forthcoming monograph. Meanwhile, for a discussion of migrants to the South, see Lewis Killian, *White Southerners* (New York: Random House, 1970). Killian concludes that despite their economic and (in some states) political importance, the cultural impact of migrants has been minimal; and, with only a few reservations, I am inclined to agree with him.
6. "Social Change and the Wallace Movement in the South" (unpublished doctoral dissertation, University of North Carolina, Chapel Hill, 1973).
7. *The Way of the South* (New York: Macmillan, 1947), pp. 61–62.
8. For some reason this tendency is more evident among women. See Peter Trudgill, *Sociolinguistics: An Introduction* (New York: Penguin, 1974), p. 99.
9. See J. S. Reed, *The Enduring South* (Chapel Hill: University of North Carolina Press, 1974), especially p. 80.
10. These data are, as yet, unpublished, but come from "The Survey of North Carolina" conducted by the Institute for Research in Social Science at the University of North Carolina, Chapel Hill. Glen Elder and I have been analyzing them.
11. This analogy has been stolen, shamelessly, from a splendid essay by my colleague George Tindall, "Beyond the Mainstream: The Ethnic Southerners," in *The Ethnic Southerners* (Baton Rouge: Louisiana State University Press, 1976).
12. The conclusions below are drawn from data presented in *The Enduring South*, *passim.*, from data collected by the Survey of North Carolina, and from Gallup and Harris Poll releases since 1972.

A Humanistic Vision: Beyond Racism and Poverty in the South

Samuel Dubois Cook

Samuel DuBois Cook, President of Dillard University, New Orleans, received the A.B. at Morehouse College in 1948. He did his graduate work in political science at Ohio State University, where he received the Ph.D. in 1954. After a year on the faculty at Southern University, he became Chairman of the Department of Political Science at Atlanta University, a position in which he served for ten years. He then joined the faculty of Duke University before becoming President of Dillard in 1975. He was a member of the executive committee of the Southern Regional Council, 1967–69, and he has served as a trustee of the Martin Luther King, Jr., Center for Social Change since 1968.

FROM COLLECTIVE MEMORY TO COLLECTIVE
ANTICIPATION

The Old South is no more. Historically, the South has been the American bastion of conservatism. Militant opposition to social, historical, and institutional change and reform has been a hallmark of the southern white mind and a touchstone of the southern "way of life."

Racism was the essence of the Old South. It informed and inspired the institutional life and structure, culture and spirit, nature and destiny, philosophy and reality, world view and tortuous historical struggles, ambiguities and contradictions, theory and practice, apocalyptic syndrome and suicidal tendencies, messianic hope and unending tragedy, cultural arrogance and inferiority complex of the historic South.

The Old South prided itself on stability; continuity; order; prescription; inequality; privilege; hierarchy or a stratified society; the sense of place; the security and certainty of station or position in the social scheme of things; agrarianism; echoes and pale imitations of Europe's feudal reaction; Tory standards; alienation from Jeffersonian democracy and the American Dream; systematic, enthusiastic, and even evangelical rejection of the soaring, majestic, timely, and timeless ethical and philosophical principles and presuppositions of the Declaration of Independence. Instead, it offered religious, philosophical, moral, social, and economic justification of human slavery, white supremacy, caste, racial segregation and discrimination, and a philosophy and metaphysics not only of a dual and separate society but also a dual and separate universe of value, meaning, experience, existence, and being. Racism, in its ultimate dimensions, is a radical doctrine of the human estate, the universe, the nature of reality, and the creative process.

So, the South has been outside the vaunted liberal tradition in America.¹ "The South," said Gunnar Myrdal, "is static and defensive, not dynamic and aggressive."² Russell Kirk observed:

Conservative political policy in the Southern states, which can be traced all the way from the signers of the Constitution like

George Mason to the present generation of Southern congressmen, has been rooted in four impulses: a half-indolent distaste for alteration; a determination to preserve an agricultural society; a love of local rights; and sensitivity about the negro [*sic*] question—the “peculiar institution” before the Civil War, the color-line thereafter.³

But Myrdal, in the early 1940s, also observed that the “South is changing rapidly. During the ’thirties the changes went into high speed. Those changes cover the whole field of social relations. . . .”⁴ Since World War II the changes in the South have been rapid, monumental, qualitative, and mind-boggling. Of wide currency are such terms as “the New South,” “the changing South,” “the emerging South,” and “the post-industrial South.” It has been well said:

In recent years the South has undergone more socioeconomic change than any region of the United States. The long process of conversion from a traditionally low wage agricultural society to one which participates increasingly in the moderate wage manufacture of goods and services, together with the effort to eradicate longstanding discriminatory practices, has accomplished a great deal of good for a great many Southerners.⁵

Industrialization, concern for the full development and utilization of human resources, growth of manufacturing, the mechanization and diversification of agriculture, urbanization, the conservation and development of natural resources of the region, migration and a more diversified population, rational and responsible approaches to regional growth and development, striking educational progress, and the development of a new middle class are all indicators as well as agents of change.

Similarly and intimately related to the aforementioned developments is change in the political landscape. Nationalization or Americanization—as evidenced by the emergence of the Republican party as a viable alternative to the Democrats, the enfranchisement of blacks, reapportionment, general expansion of the electorate and the consequent birth of “participatory democracy,”

the dramatic appearance (in many areas and on different levels) of a new breed of political leadership, and a new, more sophisticated and enlightened electorate—is rapidly becoming an integral part of southern politics. Of special and indeed “revolutionary” significance is the striking growth of black political power not only in terms of registration and voting but also in terms of public officials—both elective and appointive. Likewise, there has been a dramatic decline of racism in southern politics. The political traditions of the Old South are, generally speaking, no more. They are, in a profound sense, “gone with the wind.”

The most significant psychological and ethical change in the South is its discovery of anticipation—so essential to progress and development. Regions and nations, like individuals, must, if they are to approximate their potential of growth, development, and fulfillment, live in the realm of anticipation as well as memory. Historically, the South has lived in memory—and an idealized and romanticized memory at that. Progress is future-oriented. The South has been past-oriented. It has longed for not merely the preservation of the *status quo* but the restoration of the *status quo ante*. But the dimension of anticipation is beginning to be a vital part of the southern experience and framework of thought and vision. Hence, there is more excitement, more awareness of the dynamic element in history. The southern romance is no longer limited to the past. The South, at long last, is discovering not only the world of possibility but also the world of *higher* possibility. It now has vision of the future as well as memory of the past, and an appreciation of the dynamic rather than an enslavement to the static.

The key indicator of change in the South is the position of blacks in the social order, political system, governmental process, and cultural firmament. Owing to the variety of complex and interrelated forces and vitalities, the position of blacks in the South today is radically different from that of previous experience, epochs, and eras—including Reconstruction. Of special causative significance and creative innovative impact and consequence have been external pressures and coercions: Supreme Court decisions, presidential intervention and leadership, and Civil Rights legislation. There are, however, signs of attitudinal as well as behavioral

changes on the part of an increasing segment of the white population. While optimism about internal reform is unwarranted, it is important to recognize small beginnings in the right direction. Change beckons. It intrudes and protrudes.

Blacks today have a significant degree of initiative and leverage. They can act—and initiate action, not merely react passively. Times change. Blacks have political power and muscle. They are voting in large numbers and are increasingly elected and appointed to public office. More than anything else, perhaps, black political power will change the face of southern politics.

In the context of the vast changes in the region the South has a magnificent opportunity, for the first time, to develop a just and humane society of free, responsible, and whole persons and citizens. The prime necessity is the eradication of racism which separates men at the level of Being itself. The estranged cannot be reunited until there is proper understanding of the nature, reasons, and consequences of separation. “The thorniest problem holds the largest promise in the South today: the entrance of the Negro into the mainstream of the Southern life.”⁶ Resolution of the racial dilemma not only is a necessary condition of the South’s full participation in the country’s mainstream but also is essential to regional development and fulfillment.

The heart of the problem is the need to recognize the full moral stature and personality of blacks—their authentic claim to a common humanity and a moral heritage. “Racism creates two or more homogeneous, dichotomous groups of human beings. . . . A person is not a whole within a community; he is a part of a homogenized mass. The whole person, possessing self-identity, is unknown to the racist consciousness because the ground of being is not God, the universal ground, but the race—a form of particularity.”⁷

Blacks cannot be creative, free, and responsible citizens until they are recognized by all as full-fledged human beings; centers of meaning, dignity, and value; and equal bearers of the human stamp and heritage. Southern culture must reject the myth that whites *inherit* humanity but blacks must *merit* or prove theirs. “The heart of the Southern credo, says Howard Odum, is that ‘the Negro is a Negro and nothing more.’ This means that he is

not the same sort of human being as the white man. In short, he is not human.”⁸

As George D. Kelsey observes, racism destroys more than the moral integrity and authentic community of Negroes; it does the same to whites. Thus,

racist self-awareness is a form of the master-slave correlation. That is, consciousness of the self is derived through the consciousness of the other. The racist lacks the awareness of the free man, who is conscious of each individual for himself, and freely goes out from himself to the other. The racist consciousness is antithetical consciousness. It is obliged to alienate, to eject human nature into an external structure, a category. The racist cannot interiorize because his self-awareness is derived from the external object. Thus the racist can never find the center of his own being. Just as those from whom he derives his self-awareness exist for him only as parts of a whole, he exists for himself only as a part of the correlative and antithetical whole. He too must lack individuality. In the context of race relations, the racist lives solely in the “I-It” world. In this world he can never find himself as a person, for to live in the “I-It” world alone is not to be a real man.

Likewise, the racist collective is not a true community because “only men who are capable of truly saying Thou to one another can truly say We with one another.” Genuine community is constituted of free, responsive and responsible persons.⁹

To paraphrase Myrdal, southern genius has been imprisoned in the race problem. Racism has wreaked havoc with the total being of whites as well as blacks. “The problem of justice,” said Morris R. Cohen, “is that of cleansing the social order of its black spots.”¹⁰ The southern process of the purification of the social order and political system must begin, if it is to be productive of fruitful consequences, at the basic level of conception, perception, and value—the level of Being itself. Southern interpretations of justice, person, and citizen have been corrupted in terms of ontological and ethical predicates: the separation of human beings as human

beings, at the level of Being itself, the very texture and structure of existence.

The Emerging Southern Democracy

To what extent has the southern political process moved in the direction of equality of citizenship and humanity for black human beings? What is the state of racial progress?

There are manifestations, signs, and symbols of both change and continuity, growth and decay. The South is still a divided and tormented self; a bundle of inner contradictions, fears, hopes, and doubts. At the heart of the region's being, there is a power, moral, and ideological struggle between the "push" of the Old South and the "pull" of the New South. The evidence of change, at least on the basic and ultimate level, is mixed, ambiguous, ambivalent, complex, and contradictory. There are grounds for optimism and pessimism, faith and doubt, celebration and tears. What is true of southern culture in general is true of southern politics in particular.

Progress and hope are to be found in the striking growth of black political participation—registration; voting; office-holding (both elective and appointive); number of candidates; political sophistication, initiative, general influence on the public dialogue and agenda of discussion, self-confidence, and realization of the possibility that the political system can be made to work to secure a significant measure of equality for black persons.

Since its inception in 1962, the Voter Education Project has been instrumental in the registration of 3½ million black voters. The Voting Rights Act of 1965, in effect, reinstituted the Fifteenth Amendment. Since then, more than a million and a half blacks have been added to the registration books. This means real progress.

Yet there are more than 2½ million blacks of voting age who are still unregistered. There continue to exist, in certain contexts, fears of economic reprisal; inadequate enforcement of law; gerrymandering; dilution of the black vote through the manipulations of redistricting, purges, and requirements to reregister in such places as selected counties in Mississippi; and various other forms of voter discrimination, especially in some rural areas.

According to the Voter Education Project's News Release of 6 April 1976, black officeholders in the eleven states of the Old Confederacy had increased over 2,000 percent since 1965, making a total of 1,588. "Since 1965, the numbers have increased as follows: 1965-72; 1966-159; 1967-no data available; 1968-248; 1969-388; 1970-565; 1971-711; 1972-873; 1973-144; and 1974-1,307." The VEP figures are indeed instructive.

The 1,588 elective offices held by blacks are distributed throughout the South as follows: Alabama, 167; Arkansas, 182; Florida, 67; Georgia, 182; Louisiana, 195; Mississippi, 191; North Carolina, 181; South Carolina, 134; Tennessee, 92; Texas, 127; and Virginia, 70. Since five black officials hold dual positions, there are 1,583 individual blacks holding public office.

The variety and distribution of positions are also interesting and significant: 2 members of the U.S. House of Representatives, 11 state senators, 84 state representatives, 217 county officials, 56 mayors, 678 other municipal officials, 163 law enforcement officials, and 376 educational officials.

Black political gains continued in 1975. "Black election victories in 1975," according to a Voter Education News Release of 25 January 1976, "were recorded in 10 of the 11 southern states. . . ." Minority representation, in fact, increased by 478 in the off-year election of 1975. The totals are suggestive of progress and power.

It is sobering, however, to recall three facts. (1) *The 1,588 black elected officials represent only 2 percent of the more than 79,000 elective offices in the South.* In 1975, the 95 blacks holding legislative posts (84 representatives and 11 senators)—all Confederate states had at least one black representative and seven states had at least one state senator—represented only 5.3 percent of the 1,773 legislative positions in the South. Similarly, "blacks were under-represented in city offices in the South, where blacks hold 788 or 2.7 per cent of the total of 28,552 city offices. Almost half of the offices held by blacks in the South are city positions and 81 per cent of these are city council posts."

A recent statement by the Voter Education Project is heart-warming: "When the Voter Education Project was founded in 1962, there were less than 75 Black elected officials in the South. Today. . . , there are some 2,500.

"In 1960, there were 1.5 million Black registered voters in the South. Today, there are over four million registered Blacks in the 11 southern states which benefit from VEP's programs. In 1968, there were 38 black elected officials in the state of Louisiana. By 1977, that number had risen to 280, the largest number of black elected officials in the South."¹¹

Thus, in spite of the impressive gains in elective politics, tokenism is still king for black officeholders. Equality of representation with whites is infinitely far off. Blacks have only begun to establish a foothold in the southern political process.

(2) *In general, these are minor offices.* There is no black holding a statewide office in the South. There are only two black members of the U.S. House of Representatives out of 92 from the South. There is no U.S. senator, no governor, and no lieutenant governor.

(3) *Generally speaking, black elected officials are chosen by black constituencies.* Whites do not usually vote for black candidates—no matter how qualified. They will, in general, either "bloc vote" against black candidates or refuse to vote at all.

In various subtle and sophisticated ways there are attempts to arrest the growth of the political power of black people. Attempts to dilute black political participation are to be found in gerrymandering, various reapportionment schemes, institution of at-large elections and multimember districts, annexations, the malapportionment of wards, consolidation, and metropolitanization.

Change is found in the "new breed" of white political leaders in various parts of the South; but these leaders are much better known for their rhetoric than reality, for their avoidance of the negative than their pursuit of the positive.

A handful of blacks have been appointed to positions in state government as well as to select boards and commissions. But this does not go beyond tokenism.

Supremely ironic is the fact that the administration of justice is one of the last bulwarks of racism in southern public life—federal, state, and local. There is hardly a handful of local black judges—even in the most minor category. According to the best available evidence, there are only two statewide black judges in the entire South—a state supreme court justice in Florida initially appointed to fill an unexpired term and subsequently elected, and

a member of the North Carolina Court of Appeals. The black member of the Florida Supreme Court, referred to above, has been appointed to the 5th Circuit Court of Appeals of the United States.

Above all, there was not, until mid-1978, a single black member of the federal judiciary—district or circuit—in the entire region. “There is no black as a Magistrate, District or Circuit Clerk. No Black is a Circuit Law Clerk, Librarian, or Assistant Librarian. Only one black out of 112 is a Federal Judge and only one of 29 is a U.S. Attorney. No more than three U.S. Marshals are black. In a region where 20 per cent of the population is black, only 6% of the Assistant U.S. Attorneys and only 8% of the Deputy Marshals are black. . . . Even in clerical and secretarial positions, the traditional level of entry for blacks, fewer than 8% of all the employees in this category in southern federal courts are black. Only one black secretary works in the Chamber office of a Southern federal judge.”¹²

Politics is clearly central in the determination of the personnel of the administration of justice. Can justice be color-blind when its administration and public definition and determination are virtually in the hands of whites only?

New Economic Opportunities: Myths and Realities

The economic progress of the South has been dramatic, comprehensive, and sustained. *The evidence suggests, however, that blacks have not participated equitably in that progress and growth.* Generally speaking, the reasons are the continuity of racial discrimination, institutional racism, the special disadvantage of blacks—because of past discrimination and inadequate education and skills—in the face of onrushing technology, and victimization by seniority systems.

Our discussion is limited to novel employment and/or occupational opportunities for blacks to participate fully in and benefit equitably from the new dimensions of the southern economy. We, therefore, exclude such significant phenomena as “black capitalism,” and entrepreneurial or business enterprises. The comparative context is both the history of employment and/or occupational discrimination and total exclusion and the current status of whites.

The evidence suggests that, while in the past decade or so blacks have made significant employment and other economic gains—primarily because of governmental intervention, social protest, and other forms of organized pressure—they still lag far behind whites. Doubtless, there has been progress, especially in terms of entering white-collar occupations and selected managerial and supervisory positions. But the sober and discouraging fact is that, in comparison to their white counterparts, blacks are heavily overrepresented among the low-paid employed, the unemployed, the underemployed, the poor, the hopeless, and the victims of hunger and malnutrition. Blacks are infinitely underrepresented in white-collar, managerial, and supervisory positions in both the private and public sectors of the southern economy.

Economic deprivation and grave inequalities have a crucial impact on such critical items as housing, education, health, infant mortality, life expectancy, the sense of security and self-esteem, and psychological and emotional well-being. The new economic opportunities for blacks in the South represent a complex mixture of myth and reality.

The following comments by Ray Marshall, U.S. Secretary of Labor and former Professor of Economics and Director of the Center for the Study of Human Resources at the University of Texas in Austin, disclose the overall realities of the depths and persistence of racial inequities:

“The evidence supports the conclusion that although blacks have improved their economic position perceptibly since 1954, the basic patterns are unchanged.”¹³ Again, “black income and employment positions have improved, particularly since the mid-1960s, but blacks have a long way to go to achieve equality of employment patterns with whites, because blacks remain much more heavily concentrated in the low-status and low-wage jobs.”¹⁴ And “those who argue that discrimination has collapsed tend to induce inaction by creating the mistaken impression that the problem has been solved.”¹⁵

Until about 1950, a “basic cause of black employment patterns was discrimination, both overt and institutionalized. The main motive for employment discrimination by employers and white-collar workers was status, plus some economic motive—profits for

employers and job control for white workers.”¹⁶ “Outside agriculture, blacks fare a little better. They were confined pretty much to menial, low-wage jobs. Blacks were pretty much excluded. . . .”¹⁷ “Even in the population centers, blacks have not shared equitably in the employment gains. Black are most underrepresented in white-collar jobs.”¹⁸

According to Lloyd J. Hogan, the “South stands out as the poorest qualitative employer of blacks in the nation.”¹⁹

Comparative data on poverty, income, and employment dramatically reveal the harsh economic realities of blacks relative to whites. In the nation as a whole the impressive economic gains made by blacks during the 1960s slowed down and, in some cases, reversed in the early 1970s. The gap separating the median income of black and white families continues to widen. The “largest concentration of black workers is in the South. In this region blacks earn only 50 percent of white incomes . . . compared to an average nationwide of 58 percent.”²⁰

Income in Southern states is not equitably apportioned. The economic position of Southern blacks is far less favorable than that of Southern whites. A comparison of the median family incomes of blacks as percentages of those of whites in 1970 shows that at the least favorable extreme—in Mississippi and Louisiana—blacks had incomes 42 and 46 percent of white incomes in those states. On the other hand, blacks in Kentucky, Maryland, and West Virginia had incomes approximately two-thirds of whites. The lowest black median family incomes in absolute dollars were black families in Mississippi and Arkansas (\$3,202 and \$3,455) and the highest were for black families in Maryland (\$7,701, which is well above the U.S. figure of \$6,067 for black families), Virginia (\$5,742), and Texas (\$5,334). Although as these comparisons indicate, blacks are far from achieving economic parity with whites, progress has been made since 1960. In all Southern states the income growth for blacks in the sixties was greater than for whites.²¹

Poverty has been one of the most striking and tragic aspects of southern history and culture. According to the 1970 census,

although the South contained only 30 percent of the U. S. population, it held 45 percent of the nation's poor:

That disparity resulted in a southern poverty rate of 21 per cent compared to the national rate of 14 per cent. The intensity of the South's poverty became more apparent still when its 21 per cent rate was compared to the 11 per cent rate of the remaining states. In brief, the South's poverty rate was double that of non-South at the time of the 1970 census. And, in the present time of great accelerated inflation and rising unemployment, the plight of the southern poor worsens daily.²²

Blacks, of course, are the greatest victims of southern poverty. "Poverty among Southern blacks . . . remains more intense than among whites, although in absolute numbers more whites are poorer than blacks."²³

Negro Employment in Southern Industry is an exhaustive study of five of the South's major traditional industries—paper, lumber, tobacco, bituminous coal mining, and textiles. It confirms both progress and the continuity of racial discrimination—particularly in such terms as the dearth of black professionals or technicians and black victimization by the seniority system.²⁴

Even in government employment blacks lack economic parity. According to Marshall, blacks do have better employment opportunities in government than in the private sector. Federal employment offers the best relative occupational positions, while black employment at the state and local levels is only token. However, although blacks are overrepresented in the rest of the country in federal employment, they are underrepresented in the South, except in Wage Board jobs.²⁵

Marshall goes on to say that "as with private employment, black employment varies inversely with the ratio of white-collar to total employment. As in state and local government, blacks are overrepresented mainly in the agencies with large black client groups."²⁶

Discrimination by government is all the more morally offensive. Moreover,

Government jobs in the South increased during the period by

27.7 per cent. State and local government jobs accounted for almost all these gains, with federal employment in the region remaining relatively stable after 1970. Total government jobs in the region amounted to 19.6 per cent of the total employment as of August, 1975.²⁷

Education

The South has made enormous educational progress on all levels. A recent publication by the Southern Growth Policies Board notes:

Throughout the fifteen Southern states there are numerous examples of excellent universities, public and private, innovative and quality community colleges, superior vocational and technical institutions and elementary and secondary schools in which we can justifiably take pride.²⁸

The thorny problems of desegregation and integration continue. "The struggle for integrated public education has come a long way since the *Brown* decision of 1954. Particularly in the South integrated schools are becoming the norm rather than the exception."²⁹ Against such optimism George Esser was much closer to the truth when he asserted that "In the 21st year since the *Brown* decision striking down segregation in the nation's public schools, equal opportunity in education remains an elusive goal."³⁰

First, thousands of black teachers and principals have lost their job in the name of "integration." Second, racism has been the key factor in the transference of a large number of white pupils to county schools. Resegregation has taken place in numerous instances. Third, the mushrooming of segregation academies is a sober reminder that resistance to desegregation is not a thing of the past.³¹

Great disparities in the years of schooling by whites and blacks continue.³² In facilitating equality of educational opportunity, this recent publication of the Southern Growth Policies Board makes a telling point about the relevance of black colleges and universities.

The South still includes a larger proportion of blacks than do other regions and has almost all the traditionally black colleges and universities within its borders. Because of the unfavorable

differential in the proportion of blacks enrolled in post-secondary education and because of the historical gap in resources for black colleges, the region has a special obligation and challenge to expand opportunity for blacks in all post-secondary institutions and to strengthen traditional black institutions to serve the entire society.³³

Summary

While tremendous progress has been made toward the creation of new opportunities for blacks in the South, equality is far, far off. Yet racial equality is essential to human resource development and effective management in the region. Without it, the South cannot approximate its potential.

The foremost need is for the South honestly and, in comprehensive and sustained terms, to confront the problem of human equality across racial lines. Instead, the South discusses such problems as productivity, resource management, international trade, and environmental protection. A primary need of all the southern states in the enlargement and enrichment of opportunities for blacks is the enactment and enforcement of laws banning discrimination in government and private employment.

CREATIVE AND AUTHENTIC HUMANISM

The South can be on the threshold of a great humanistic revolution. Essential are a majestic humanistic vision, commitment, and content—especially in terms of public policy and the personnel of government. We desperately need a humanistic politics or political humanism. The essence of active and creative humanism is concrete concern for persons, human beings in their concrete particularity—not in the abstract. Humanism involves the uneasy conscience and the search for higher possibilities. The uneasy conscience should issue from the perennial encounter with injustice, oppression, and inhumaneness. There should always be a great sense of outrage at man's inhumanity to man. A sense of moral outrage is a hallmark of what it means to be civilized and decent.

In procedural terms and formal structures great political changes have taken place in the South. Pat Watters was on target, as usual, when he asserted:

For a time it seemed that we would change, would indeed overnight come to new governments capable at last of performing the minimal functions for which governments are established. The admission of Negroes into political participation in the 1960s was a fundamental procedural reform transforming the very basis of government, with profound implications for change of the basis of society. It was accompanied by that other fundamental political reform, almost as profound in effect and potential, reapportionment. The two things coming together amounted to—in the loose way of using the term—a revolution in the region's political system. More than ever before, the South had begun to approach democracy.³⁴

Other great changes have taken place, such as the striking growth of southern Republicanism. At long last the South has a two-party system to replace its no-party system.

The political process is crucial. It can profoundly influence other institutions, structures, and processes of southern life and culture: employment and other economic indicators, poverty, the distribution of wealth, industrial development, education, health, housing, land use, taxation policy, environmental protection, the administration of justice, the police system, institutions of incarceration (prisons, jails, mental institutions), general public services, and other issues and choices of public policy.

Politics, indeed, can be creative as well as destructive. Tragically, southern politics has been filled to the overflowing with destructiveness, myopia, negativism, a backward yearning, and dehumanization. Genuine humanism has never had a chance.

Authentic southern humanism—beyond the tragedy and tyranny of racism and the curse of poverty, deeply committed to enriching and enlarging the quality of life and experience of all human beings; black Southerners and white Southerners working together, building on unique and rich common experiences, heritages, bonds, heartaches, tragedies, frustrations, disappoint-

ments, fears, doubts, shared life: what a thought! It fascinates the imagination to cruise the seas of such higher possibilities of human existence.

Systematic, aggressive, and comprehensive affirmative action policies and programs—designed to correct the tragic consequences of the radical segregation and discrimination of the past, a past that is indeed powerfully present—are crucial. The South must take the initiative in this critical matter of corrective or remedial justice and equity, required by humanistic concern, vision, commitment, and social righteousness. A heightened sense of justice, equality, and personal responsibility is indispensable. The South must discover through the moral process and implement through the political system and process the moral imperatives and ethical requirements of racial, social, and economic justice and equity.

As the great southern statesman and prophetic interpreter of the politics of Dixie, former congressman Frank E. Smith, states:

There are opportunities in this same period for young men to build national careers in the Congress without the millstone of racism to preclude their full participation in national decisions. The obstacles may still be formidable, but there is before the rising generation of Southerners a challenge to greatness that has not been equalled since the time of Jefferson.³⁵

The humanization of the South would be a great blessing not only to both white Southerners and black Southerners but to the nation and indeed all mankind, all of God's children. A region that almost died to keep human beings in bondage has an opportunity to add to the freedom, dignity, justice, nobility, peace, and beauty of all mankind.

Inclusive, authentic humanism should become the new southern way of life. Such humanism would be creative as well as redemptive. It might be able to redeem the deep, infinite tragedies of southern history, life, and culture.

Ethics and politics, idealism and realism, personalism and institutionalism, love and power, the great imagination of the mind and the deep hunger of the heart must work together creatively

and tirelessly to establish, nurture, and sustain the Beloved Community in the South—expressing and affirming the common humanity of black Southerners and white Southerners, the solidarity of the human family, the unity of all mankind.

NOTES

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5. *The Job Ahead*, (Atlanta: Southern Regional Council, 1975), p. 4.
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7. George D. Kelsey, *Racism and the Christian Understanding of Man* (New York, 1965), p. 69.
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13. Ray Marshall, "Black Employment in the South Since 1954," in *Two Decades of Change*, Ernest M. Lander, Jr., and Richard J. Calhoun, eds. (Columbia, S.C., 1975), pp. 43–44.
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24. Herbert R. Northrup, Richard L. Rowan, Darold T. Barnum, and John C. Howard, *Negro Employment in Southern Industry: A Study of Racial Policies in Five Industries* (Philadelphia, 1970). See in particular "Concluding Analysis."
 25. Marshall, pp. 40–41.
 26. *Ibid.*, p. 41.
 27. David E. Gillespie, "South Leads Nation in Economic Growth, Population Since 1970," (Research Triangle Park, N.C.: Southern Growth Policies Board), p. 4.
 28. *Human Resources and Public Services in the South*, a report of the Human Resources and Public Services Committee of the Southern Growth Policies Board (Research Triangle Park, N.C., December 1974), p. 4.
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 31. See, in particular, John Egerton, "Seg Academies, With Much Church Aid, Flourish in South, as Other Private Schools Wane," *South Today*, September 1973.
 32. *Human Resources and Public Services in the South*, pp. 16–17.
 33. *Ibid.*, p. 23.
 34. Pat Watters, *The South and the Nation* (New York, 1969), p. 232.
 35. Frank E. Smith, *Look Away From Dixie* (Baton Rouge, 1965), p. 48.

QUESTIONS FROM THE AUDIENCE

- Q. You said we have three or four hundred thousand new middle-class Southerners every year. As a Southerner who used to be a Yankee, I have some difficulty relating to some of the stereotypes that you characterized as southern. Are the regional differences really disappearing or are they going to persist despite migration into the South?
- A. (Professor Reed) I think you are asking about the implications of this massive migration into the South from other regions. The three or four hundred thousand new business and professional people each year that I've been talking about are mostly Southerners who have moved up to a higher social stratum. But let me talk just a moment about the new migrants to the South. Professor Jeanne Biggar of the University of Virginia has recently written a monograph on this subject.

Her monograph shows that the migration tends to be concentrated within the South (in university communities like Charlottesville and Chapel Hill, for example) and in areas on the periphery of the South such as much of Texas, the Washington suburbs in Virginia, and southern Florida. Lewis Killian of the University of Massachusetts made a study some years ago about the effect of nonsouthern migrants into the South upon southern culture. His work is somewhat out of date now, but his conclusion was that they don't make much difference. Many of them are corporate people who understand it's not their role to make waves and they may be moving on in a few years anyway. Basically, they came from a corporate community outside the South and into another one in the southern region. They try to fit in, do the best they can, and don't really rock the boat. The enclaves where nonsouthern migrants are a majority or close to it are an exception to this generalization, which makes for very interesting towns. I live in one, and you do too, so I think you understand what I mean.

- Q. I address my remarks and my questions to each of the speakers. I am struck very much by President Cook's statement that a civilized person is a person with a sense of moral outrage. I would enlarge upon that and say the problem in the South is a moral problem and the problems of racism that remain ought to be dealt with in a sense of moral outrage. I put that view beside Professor Reed's study of *Southern Living*, and then I compare *Southern Living* with magazines like *Southern Exposure* and *Southern Changes*, which do have a sense of moral outrage. You could search *Southern Living* forever, I suppose, and never find even a hint of moral outrage. To the extent that the picture from *Southern Living* is an accurate picture of the new, emerging middle-class Southerner who is going to play the dominant role in the community, what does this say about the likelihood of the South dealing with the kinds of problems that President Cook outlines?
- A. (Professor Reed) It seems to me it is expecting too much to get *Southern Living* really to take up the cudgels for social change.

The magazine is an innocent, money-making operation, and maybe we ought to just let it go at that. A professor at the University of North Carolina at Greensboro has been studying business leadership in North Carolina, and he and I have talked about this subject. He finds an interesting change in the racial and economic ideology of these people. In fact, he says that when you talk with them their racial views are unexceptionally liberal, but their economic views are hard-core conservative. Their point of view is libertarian—and consistently libertarian. If blacks can make enough money to buy a house in their neighborhood, that's fine with them. They have a consistent ideology for the first time, and you can draw your own conclusions about that. But I'm not very optimistic that this new leadership class will come to grips with the problem that President Cook is talking about.

(President Cook) I agree completely. Not only am I not optimistic, I'm pessimistic on this score. The new white middle class in the South is complacent. It has an easy conscience. The signs are not reassuring at all. And I think that the basic thing is the illusion that we are in a postracial South. That's the tragedy of it.

There is a similar situation with the southern black middle class, the black bourgeoisie that E. Franklin Frazier wrote about years ago. That great black sociologist was prophetically right. Southern black middle-class people are often insensitive, do not have a tradition of philanthropy, and do not support the primarily black colleges or the great causes or the great Civil Rights organizations. They have other fish to fry. There are important exceptions, of course, as I am sure there are in the white middle class. But essentially it is the same syndrome, one of complacency, one of insensitivity, and one that in the end is going to be self-defeating.

SEVEN

**The South,
the Nation,
and the World**

Luther H. Hodges, Jr.

Luther H. Hodges, Jr., became Deputy Secretary of Commerce, the second-ranking officer in the department, in December 1979; he had been Under Secretary since June. He went to the Department of Commerce from Duke University, where since 1978 he had been Professor of Management in the Graduate School of Business Administration. He was a candidate for the United States Senate from North Carolina in 1978. Prior to that he was associated with the North Carolina National Bank for fifteen years, becoming Chairman of the Board in 1974. He received his B.A. in Economics from the University of North Carolina in 1957 and his M.B.A. from the Harvard Graduate School of Business Administration in 1961. His father was Secretary of Commerce from 1961 to 1965.

The topic I was asked to discuss, "The South, the Nation, and the

World,” certainly is all-encompassing. If there is a theme, a common thread, linking the South, the nation, and the world today, it is *interdependency*. In thinking of a way to get at that notion, I was reminded of the title of a short story by Flannery O’Connor. “Everything that rises,” the title goes, “must converge.”

There can be little doubt that in describing the world as it is at the beginning of the 1980s, we must place heavy emphasis on the interrelatedness of things, the global interdependency of economic, social, cultural, and political systems. We must keep in mind that what were once thought of as separate, disparate, and wholly unconnected events have now converged in a series of dependent, causal developments—that, in other words, the destruction of a faraway, distant Afghan village affects the training schedule of an Olympic athlete in Georgia and a disarmament negotiator in Geneva.

Obviously, the South has not been immune to these tides. Many Southerners lament the passing of the region’s distinctive flavor in the relentless onslaught of golden arches, urban growth, and suburban sprawl, plus the delightful—but different—accents of New England and Austria.

Still, I think most Southerners have welcomed most of this development. Economic expansion has helped narrow the large disparity of incomes of southern wage earners, and it has given many Southerners a new freedom of choice as to job, place of residence, and education. Speaking on a strictly personal basis as someone who spent fifteen years as a regional banker, I worked as hard as I knew how to develop the vast potential of the South, and I am proud of the significant economic and social change that has come to the region.

Today, of course, there is no such thing as a distinct “southern economy”; and the fate of this region’s economic performance is irretrievably linked to national and international economic currents. As agriculture has declined in relative economic importance, the region has become heavily industrialized. For instance, North Carolina and South Carolina are the two most industrialized states in the nation, as measured by the number of employees working in manufacturing.

Internationally, exports from the South have continued to rise. Last year they totaled nearly \$35 billion, which is about 20 percent

of all United States exports. About one of every eleven southern workers owes his job to export markets.

Direct foreign investment in the region provides yet another measure of the international nature of the southern economy. The South leads all regions in the amount of direct foreign investment—now estimated at more than \$10 billion. Approximately 250,000 southern workers are employed by foreign-owned manufacturing concerns, and their annual payroll approaches \$1.5 billion. The effect of this foreign investment is plainly visible in the relatively cosmopolitan cities of Greenville-Spartanburg, Charlotte, and Norfolk.

I should point out that the level of outside investment activity has not gone unnoticed or uncriticized, but I think it is a healthy development and a trend that should be further encouraged because it acts as a stimulus to additional economic growth and market expansion.

Our region's economic growth has been encouraged by active economic development promotion programs by virtually all the southern states. Virginia was an early leader in this activity, and I don't think I am being immodest when I point to my father's accomplishments as governor of North Carolina in getting the ball rolling in such areas as foreign trade missions and economic development offices. Much has transpired since he initiated these kinds of activities twenty-five years ago. Today, the South is truly well represented in the international business community.

Growth, of course, brings problems. And the South has its share of problems. It once was fashionable for observers of the southern scene to remark—with more than a little pride—that this region had the unique opportunity to develop while avoiding the problems that had plagued other regions. We long believed that somehow we could learn from the urban blight and hard-edged existence of other sections of the country and avoid the mistakes of the past.

Well, we have and we haven't. Many of our cities are still very livable and attractive—but many are not. We have squandered much of our resources, spiritual as well as material. Our tax base, once the lowest in the nation, is rising faster than the national average; at the same time, our per capita income has remained shockingly low.

As a result, I think we should look upon this region as being in the midst of a post-“New South” era.

So far in this century the South has experienced two distinct phases: a “catching up” phase through the first half of the century; then, more recently, an “arrival” phase in which the South’s great potential bore full fruit, as evidenced by dramatic economic growth and by a complementary political rekindling that gave us respected regional and national leaders such as Reubin Askew, John West, Jim Hunt, and Jimmy Carter. It was during this second phase that we coined a new self-descriptive and self-congratulatory phrase, the “New South.”

Today, we are much beyond the New South. The region has continued to grow, to rise, and to converge. The problems that we thought we could avoid have surfaced, and we have moved into a second generation of political, economic, and academic leadership.

The story of this transformation is amply reflected in the changes that have come to the South’s largest single industry, textiles.

The impact of the textile industry in the South is well known, as are the acute problems facing the industry, such as foreign competition, aging plant and equipment, and a sometimes near-sighted and totally traditional management outlook. Despite being such a large employer, such a large and dominating social force in the southern region, the textile industry has gained not much more than adverse notoriety in the media and among management experts.

Yet, much of the industry has responded to the challenges facing it and changed the way business is conducted.

The textile industry response involves vigorous capital investment, significant modernization of plant and equipment, and greater humanization of the work place. It also involves moving strongly and competitively into the international marketplace. It involves working cooperatively with government in export promotion.

These are just the kinds of activity that characterize the economic activity of the South in the post-New South era. And perhaps the key point is that the industry learned that it must change to survive.

So must the entire nation. In this new, interdependent world we must understand the global interworkings of economic, social, political, military, and religious developments. From that understanding, we must devise new responses and better structures to deal with the challenges arrayed before us.

At the United States Department of Commerce, we are working on new responses and have new structures in place to deal with three specific challenges: international trade, productivity improvement, and business-government relations.

I do not think I need to go into detail to describe these changes; it is sufficient to say that the Commerce Department has been thoroughly reorganized to implement a number of significant policy steps in the areas of trade and improved productivity. We are now responsible, for example, for all trade programs, with the exception of agriculture.

Commerce also has been given the responsibility for spearheading the government's efforts to spur productivity growth. These two areas—stimulation of trade and productivity growth—are closely connected. I have long stated that it will do the United States little good to develop new markets abroad for our products if we are not more productive and competitive. At the same time, we can hardly expect to gain from increased productivity unless we are simultaneously developing new customers outside of our mature domestic markets.

As we work for improvement in these areas, so also we must seek ways to improve the relationship between business and government. And here I must be careful to say precisely what I mean.

First of all, we must realize that the general public already feels that business and government have a close relationship—and one that works to the public's detriment. It is hardly coincidental that public opinion surveys regularly place business and government leaders on the lower rungs of the ladder of popularity, integrity, and trustworthiness.

With that in mind, I am not suggesting any sort of cartel-like arrangement, nor the kind of public sector-business partnership that exists in Japan under the name "Japan, Incorporated."

But to be competitive internationally, to rebuild our economic base, we can ill afford to continue the adversarial relationship that

exists and has characterized so much of this nation's economic history. There is no doubt that the relationship between business and government in the United States is different from that elsewhere in the industrial world. Our competition is not entangled in the kind of contradiction by which American companies simultaneously condemn government meddling and demand government support. This competition poses a direct challenge to basic American myths about what is public and what is private, and it is competition that poses a direct economic challenge to our national well-being.

Thus, it seems clear that, for starters, we need to fashion a better relationship between business and government in the area of international trade.

In export promotion, for example, we must broaden the base of export-oriented companies to include small and medium-sized businesses which so far have not sought foreign markets. This is going to take a long time; and even if we are highly successful, our export performance will not be affected for the next several years. But the point I want to emphasize is that business and government can cooperate to improve America's competitive trade position. It is something business wants. It is something government wants. And it is something that the nation must have.

There is an even more basic point to be made in all this: our nation is finally understanding the true nature of the challenges facing the United States in the late twentieth century. Basically, I believe, we are learning limits—limits to resources, limits to military power, limits to our ability to affect events in the world.

We are learning about interdependency. We are learning that political decisions, technological breakthroughs, and social movements 10,000 miles away directly affect the lives of factory workers in Portsmouth, civil servants in Richmond, and housewives in Roanoke.

Moreover, I think we are learning as a nation to face facts about the choices we must make as a nation. We are learning that we must decide on new ways to transport ourselves in the wake of OPEC pricing decisions. We are learning that regulation to control excess may in itself be excessive. We are learning that to compete with other nations we will have not only to work harder but also to be smarter.

The events in Iran and Afghanistan—tragic as they surely are—have at least helped many of us focus our attention on a simple fact too long overlooked. It is that we are part of a greatly interdependent, highly volatile world. It is a world in which new solutions and new approaches to old, persistent problems are now being demanded. It is a world that is becoming increasingly competitive for the basic resources necessary to survival. It is a world that will not respect the great democratic values of the United States—or even its military might—unless our economy is also strong.

This is the world confronting us. The new tide of global events, propelled by vast economic change, has risen rapidly and converged in a whirling complex of new challenges and new problems. What our response is, how we plan and cope, change and grow, are questions that must have our attention.

QUESTIONS FROM THE AUDIENCE:

Q. Mr. Hodges, do you see any problems that might develop in the future with large-scale international development in the South?

A. No, I tried to touch on that. The South already has more international development than any other part of the country. I think it is healthy, certainly in light of the deficit that we have had. I would rather see the dollars invested back in this country than anywhere else. I don't think that the Arabs, for instance, are interested in controlling management and owning 100 percent. I think that foreign investment is very healthy and something that we should encourage.

Q. You don't anticipate any animosity in certain areas of competition? The South has not been traditionally trained for something new.

A. I disagree. The South has always been the victim of absentee ownership. I don't think it's anything new. I'm being very direct in my answer. I think our whole society is going to bring up a lot of different problems that will be uncomfortable, but that's not one that I would worry about.

- Q. Besides the new emphasis on multinational trade, what changes do you foresee in the southern economy over the next few years?
- A. Basically, I don't see the southern economy as different from the national economy. My point is that we're part of the national economy. There will be changes, certainly. You'll have the Sun Belt advantages, and you'll see a logical industrial development and continuation of the economic development. That means greater diversification, movement away from our traditionally lower skilled and therefore lower paid manufacturing jobs. That's certainly already happening and will continue. You'll see great impact of energy on the economy, and you'll see much slower growth. In fact, you'll see damn slow growth for a while. We've got to adjust to it.

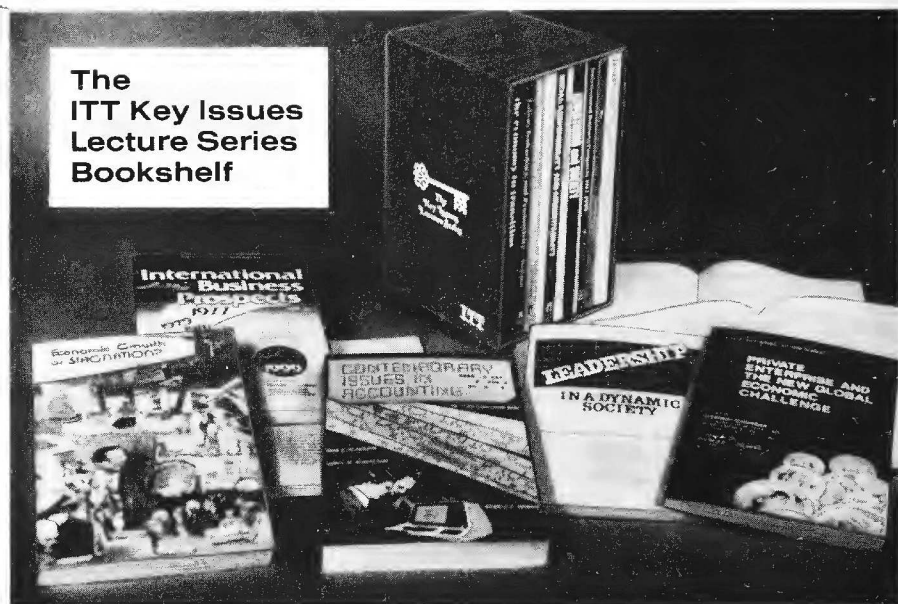
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